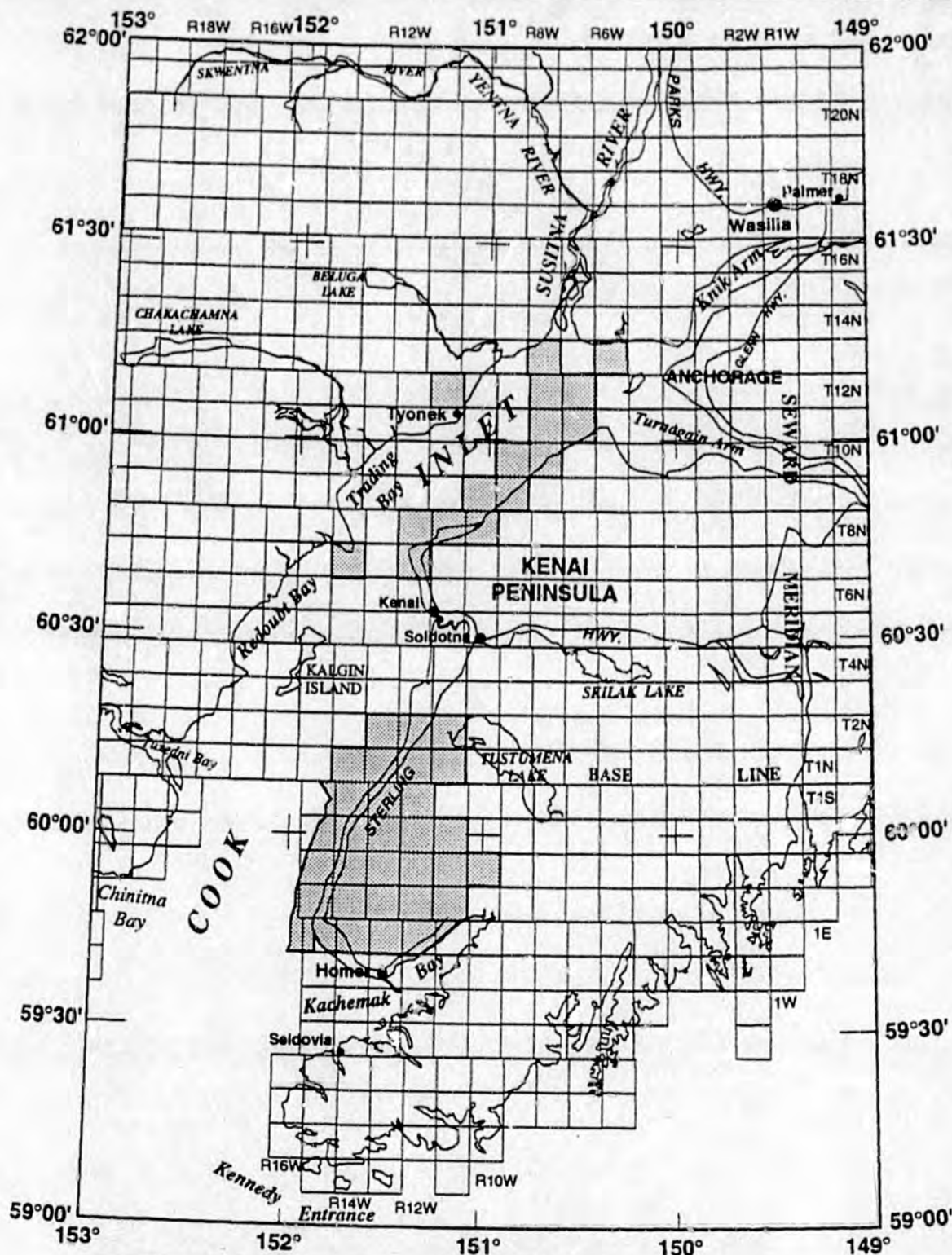


ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2283 SCOMM 94. SENATE SPECIAL COMMITTEE ON OIL & GAS, 1993-94



Proposed Sale Area

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
PROPOSED OIL AND GAS LEASE SALE 78
COOK INLET

SCALE 1: 1,800,000 ONE INCH = 29 MILES approx.

DIRECTOR, DIVISION OF OIL AND GAS
JAMES E. EASON

PETRO. GEOPHYSICIST,
JAMES HANSEN

DRAWN
BY: M.P. &
O.D.S.

CHECKED
BY: J.M.

DATE APPROVED 12-23-92

BASE MAP: TRANSPOSED FROM
U.T.M. PROJECTIONS BY U.S.G.S.
REDRAWN IN AUTOCAD AND
CLARIS CAD.

NOTE: NO DECISION HAS YET
BEEN MADE ON WHETHER THE
STATE WILL HOLD THIS LEASE
SALE. THE STATE IS GATHERING
SOCIAL ENVIRONMENTAL &
ECONOMIC INFORMATION ON
WHICH TO BASE A DECISION.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

CSSB 150(FIN) am(fldS) Oil & Gas Licenses and Leases

The Alaska Environmental Lobby opposes the Committee Substitute for Senate Bill 150 as amended by the Senate. This bill severely reduces the financial responsibility requirements for onshore production facilities. The original bill was written to provide incentives for oil and gas exploration and production by increasing the availability of large block leases and licensing requirements. However, the CSSB 150 was amended to reduce the amount of financial responsibility required of production facilities which produce less than 300,000 barrels of crude oil per month. Proof of financial responsibility is required by statute to ensure that an operator has the financial capability to adequately respond to an oil spill or blowout.

Oil Spills Are Expensive

- Although there are no data available on the cost of oil spill clean up in Alaska, we need only to look to other states to see that the lower amounts stipulated in SB 150 are not enough. Studies done on cleanup and damage costs per barrel in California (the "Santa Barbara" report) and Washington State indicate that the liability requirements for those states should be set at a minimum of **\$21 million**.
- Alaska's unique characteristics such as remoteness, weather and terrain make it more expensive and difficult to contain, control and cleanup oil spills than in the lower forty-eight. Financial responsibility requirements for Alaska's operators should reflect these special circumstances.

The risk is too great. We must encourage responsible exploration.

- The premise of a financial responsibility requirement is to ensure that operators have the financial ability 1) to take the proper precautions to prevent accidents and, 2) to be able to pay for damages in the event of an accident. By lowering liability standards, we may encourage smaller operators without having any assurance that they have the financial ability to satisfy these requirements.

Who pays if the costs exceed the financial responsibility requirement?

- The financial responsibility provisions were created to assure that an operator has sufficient funds to cover any foreseeable damages resulting from their activities. If there is a spill and the costs of cleanup exceed the operator's liability, the state will be obligated to pay cleanup costs through the Oil and Hazardous Release Response Fund.

5/9/93

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • ALASKA FRIENDS OF THE EARTH
ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY • CLEAN AIR COALITION • DENALI CITIZENS' COUNCIL
DENALI GROUP, SIERRA CLUB • JUNEAU AUDUBON SOCIETY • JUNEAU GROUP, SIERRA CLUB
KACHEMAK BAY CONSERVATION SOCIETY • KENAI PENINSULA AUDUBON SOCIETY • KNIK CANOERS AND KAYAKERS
KNIK GROUP, SIERRA CLUB • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • NORTHERN ALASKA ENVIRONMENTAL CENTER
PRINCE WILLIAM SOUND CONSERVATION ALLIANCE • SITKA CONSERVATION SOCIETY • SOUTHEAST ALASKA CONSERVATION COUNCIL • TONGASS CONSERVATION SOCIETY





Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

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Fax: 907-463-3312

CSSB 150 Oil & Gas Licenses and Leases

APR 29 1993

The Alaska Environmental Lobby opposes the Committee Substitute for Senate Bill 150 which severely reduces the financial responsibility requirements for onshore exploration facilities. The original bill was written to provide incentives for oil and gas exploration and production by increasing the availability of large block leases and licensing requirements. However, the CSSB 150 was amended to allow smaller operators to participate in exploration by decreasing the financial responsibility requirements for onshore exploration facilities from \$5 million to \$1 million.

One Million Dollars is not enough.

- Oil spills are expensive, especially in Alaska. Although there are no numbers available on costs of onshore exploration damages in Alaska, we need only to look to other states to see that \$1 million liability will not cover the cost of spill or blowout damages. Studies done on cleanup and damage costs per barrel in California (the "Santa Barbara" report) and Washington State indicate that the liability requirements for those states should be set at a minimum of **\$21 million**.
- Alaska's unique characteristics such as remoteness, weather and terrain make it more expensive and difficult to contain, control and cleanup oil spills than in the lower forty-eight. Thus, financial responsibility requirements for Alaska's operators should reflect these special circumstances.

The risk is too great. We must encourage responsible exploration.

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4/29/93

**ALASKA OIL AND GAS ASSOCIATION
POSITION
ON
LARGE BLOCK EXPLORATION LICENSING LEGISLATION
(HB 199/SB 150)**

The Alaska Oil and Gas Association (AOGA) is a trade association whose member companies account for the majority of oil and gas exploration, production, transportation and marketing activities in Alaska.

AOGA believes that large block licensing is an attractive addition to the State's leasing program to accelerate exploration and potential development of Alaska's frontier areas.

The Association has established the following position on large block exploration licensing legislation:

AOGA supports a large block licensing program that does not apply to lands (1) north of the Umiat baseline; (2) lands south of the Umiat baseline that are within proposed Competitive Oil and Gas Lease Sales 80, 87 and 88 prior to the initial sale; and (3) in the vicinity of Cook Inlet that are within the area bounded by the north boundary of Township 17 North S.M., the Seward Meridian, the south boundary of Township 7 South S.M., and the west boundary of Range 19 West S.M.

AOGA supports a program in which a license is conditioned upon the posting of an annual bond or other security in favor of the state and in which the annual bond or other security is calculated as the entire work commitment expressed in dollars less the cumulative expenditures as of the last day of the most recent project-year, divided by the remaining years of the exploration license.

**Comments of James E. Eason, Director, Division of Oil and Gas
Before the Senate Special Committee on Oil and Gas
April 13, 1993**

As members of the committee probably already know from discussions with committee staff, I have expressed extreme reservations regarding the proposed amendment regarding bonding. In order to properly frame the basis for my concern and opposition to this provision, I think it is important to take a few moments to reflect on the administration's original intent in submitting its exploration licensing proposal for consideration by the legislature.

In preparing for tonight's hearing, I reviewed all the material which the division's staff and I had prepared as background materials for the administration's review of the proposed legislation. In those materials I ran across a one page "fact sheet" which we had prepared to explain Governor Hickel's legislation. I would like to read just briefly from that sheet its description of the intent of SB 150: "...Its main purpose is to get companies working in areas of the state that have drawn little (or no) attention under the current leasing program." Further, "...The Governor's goal is to get more money into the ground." And, finally, "...This bill is intended to expedite the exploration process which, hopefully, will lead to new commercial discoveries of oil and gas."

In reviewing all the amendments that have been suggested prior to this evening's hearing, I have compared their anticipated effects with these original goals. As the committee knows, there have been many differences of opinion expressed by industry representatives on the effects of the various amendments which have been adopted to date in the committee's CS. I believe, on balance, that the committee's effort to date has resulted in a better bill than the one we originally presented to you. At the same time, with the exception of the proposed bonding amendment, you have left us with an effective tool which could be administered objectively and fairly, and one which I believe would produce the results which we had identified.

However, I believe the proposed bonding amendment will subvert the original intent of the administration. Instead of encouraging responsible development of underexplored areas, the amended bill likely will result in delays and uncertainty in the evaluation and development of the state's resources. While retaining the appearance of competition in evaluating and awarding licenses, the amendment would remove the only valid criterion for discriminating fairly between competing proposals. Potential licensees who are technically and financially responsible will find themselves competing inevitably with others who are neither. With nothing at risk, i.e., without the need to put one's money where one's mouth is in support of competitive bids, the department must assume that all prospective licensees are equally honest, capable and committed. I do not want to appear too cynical, but, with all due respect to the committee, I am old enough to understand that human nature is not necessarily comfortable with these universal ideals.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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POSITION
ON
LARGE BLOCK EXPLORATION LICENSING LEGISLATION
(HB 199/SB 150)**

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Alaska Oil and Gas Association
Position on
Large Block Exploration
Licensing Legislation
(HB 199/SB 150)
Page 2

AOGA supports a competitive program in which all licenses are awarded on the basis of written, sealed bids for total dollar work commitment. The commissioner should adopt regulations to evaluate competing proposals.

AOGA supports a program in which conversion from license to lease is under existing state leasing statutes AS 38.05.180 (j)-(m), (o)-(u), and (x)-(z), and upon conversion, such a lease is subject to the acreage chargeability of AS 38.05.140(c).

AOGA supports a program in which any relinquishment of the License area does not occur before the fourth anniversary of the License and each year thereafter is a percentage relinquishment of the remaining License area not to exceed 50 percent of the original License area. As an incentive for early evaluation of a License area, AOGA believes no relinquishment should be required if the Licensee has expended 50 percent of the approved work commitment by the fourth anniversary of the License.

The Large Block Exploration Licensing legislation proposed by the Department of Natural Resources on October 25, 1993, is consistent with the AOGA position on exploration licensing legislation. AOGA supports the proposed Department of Natural Resources Draft (nominally numbered) CSSB 150 am dated October 25, 1993, (copy attached).

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Before the Senate Special Committee on Oil and Gas
April 13, 1993**

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The amendments do nothing to encourage or assure performance; they simply put everyone on an equal footing in the eyes of the department. As a result, more money is likely to go into promotion and speculation than into exploration and development. There can be no certainty that tracts which are licensed will be evaluated or developed. Licenses will be awarded to the licensee who is willing to offer the greater commitment, even if the licensee cannot perform as a result of the financial or technical inadequacies. The incentive to perform as promised is inconsequential with the penalty for noncompliance so minimal. The financial risk, as well as the risk that no exploration and development will occur, has been transferred disproportionately to the state while, at the same time, the potential rewards have been relegated almost entirely to the licensee.

In summary, the competitive balance has been skewed in administering the award of licenses, the benefits balance has been skewed, and those of us who would have to administer the program are left without an effective means of re-establishing either so the state's interest can be protected.

SB190/041393

TO:

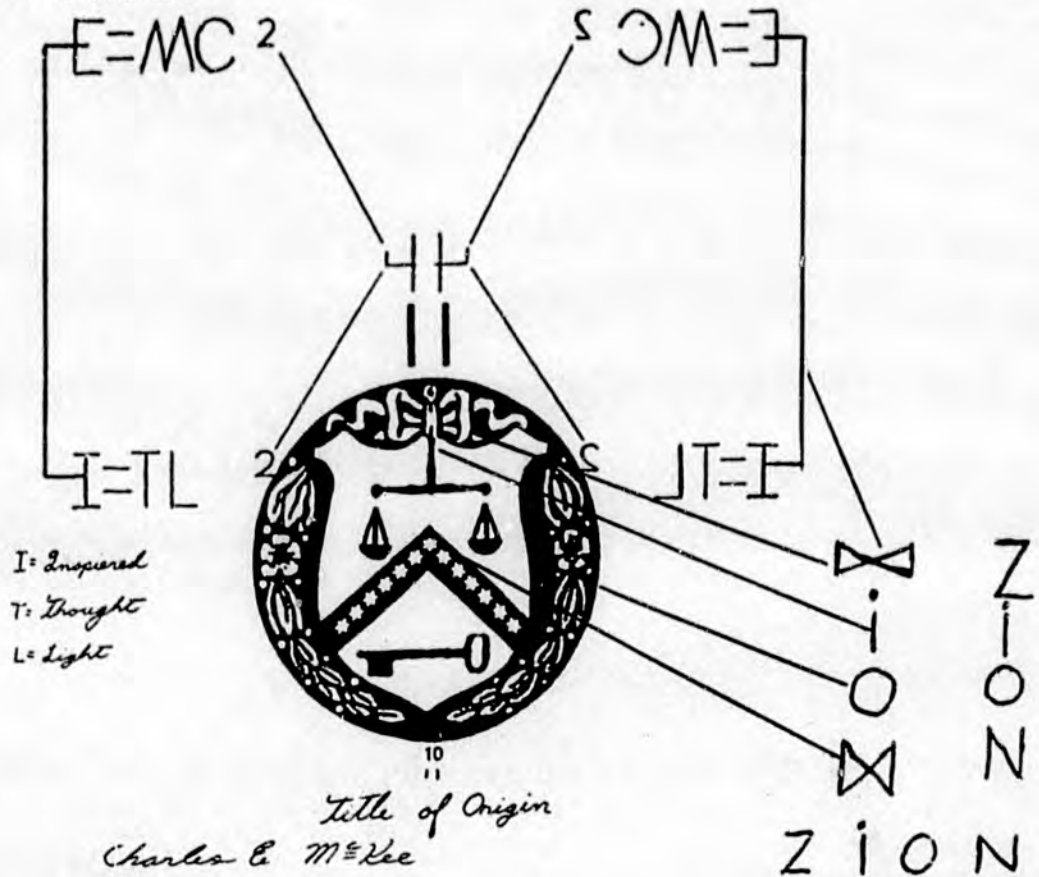
Municipality of Anchorage

Notices of Bonded Indebtedness

From: Charles E. McKee
7800 DeBarr Rd E#63
Anch, AK 99504

Daily News Anch
2-27-93

Charles E. McKee



My help comes from the Lord the Maker of heaven and earth. "ZION" means heaven and earth, my copy right gives me the right to amplify ZION not to seperate the too.

Title of the work: Millennium

This the year of the Lords Favor Isaiah 60: The Spirit of the Mighty One of Jacob is on me, The Glory of Zion is the everlasting light that shines on me.

Our Redeemer the Mighty One of Jacob will Redeem us swiftly. The corpus delicti(s) will swiftly end against me using attrition as one of the many! You will as a public body "atst" to my right to amplify the treasury of the United States Charles E. McKee in "wrihting"!

4-13-93

Alaska Oil and Gas Association



121 West Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114

APR 6 1993

April 1, 1993

The Honorable Loren Leman
Chairman
Senate Special Committee on Oil and Gas
Alaska State Senate
Room 113
State Capitol
Juneau, Alaska 99801-1182

Dear Chairman Leman:

The Alaska Oil and Gas Association (AOGA) is a trade association whose member companies conduct the majority of oil and gas exploration, production and transportation in Alaska. AOGA would like to offer the following comments on SB 150, large block exploration licensing legislation.

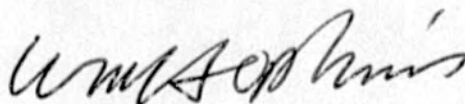
- * Large block licensing is an attractive addition to the State's leasing program to accelerate exploration and potential development of Alaska's frontier areas.
- * State land that has insufficient or undocumented geologic and geophysical information or state land that has not been or currently is not subject to an oil and gas lease sale program should be eligible for licensing. All lands north of 68 degrees, 30 minutes North Latitude should be excluded.
- * A license should be conditioned upon the annual posting of work commitment performance bonds or other security in favor of the state in an amount not less than the amount of the work commitment for each year.
- * The commissioner should adopt regulations to evaluate competing proposals. All licenses should be awarded on the basis of written sealed bids.
- * Conversion from license to lease should be under existing state leasing statutes AS 38.05.180 (i)-(u) and (x)-(z), and should be subject to the acreage chargeability of AS 38.05.140 (c).

The Honorable Loren Leman
April 1, 1993
Page 2

AOGA appreciates the opportunity to provide written comments on this legislation.

If I can be of further assistance on this issue, please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "William W. Hopkins".

WILLIAM W. HOPKINS
Executive Director

B:WWH.199.4193

ENSR CONSULTING AND ENGINEERING
STATEMENT TO THE SENATE SPECIAL OIL AND GAS COMMITTEE
REGARDING SENATE BILL NO. 150 (EXPLORATION LICENSING)

APRIL 1, 1993

Mr. Chairman, Members of the Senate Oil and Gas Committee; my name is Robert Gardner. I am the Regional Program Manager for Oil and Gas Services for ENSR Consulting and Engineering. Thank you for the opportunity to present our comments on Senate Bill 150, the exploration licensing bill which is before you. My comments will be from the perspective of the service and support sides of the petroleum industry.

We believe that exploration licensing is a concept that can stimulate exploratory activities and accelerate development in the frontier basins of our state. These basins are mainly in interior Alaska and are currently unexplored or only marginally explored. Properly implemented, exploration licensing would attract new operators to Alaska, in addition to being attractive to oil and gas operators already here. From the service and support perspective we encourage the state to adopt programs, such as exploration licensing, which will broaden the base of clients and customers we serve. Unfortunately, with the single exception of reducing the time required to explore for and develop oil and gas deposits, Senate Bill 150 in its present form does little to achieve this goal. Specifically, our objections are as follows:

1. The dollar for dollar bond required to insure that the work commitment is discharged is a disincentive to all independent operators, and I imagine to many major companies as well. Since the only variable in the exploration license bidding process is the work commitment, and this work commitment is to be considered mainly in light of dollars obligated, it follows that the deepest pocket wins. The required dollar for dollar bond simply ups the ante. Incidentally, bonds in the size we are anticipating are nearly

impossible to obtain except by the largest of companies. In addition, as the bill now stands, if an operator secures a license and performs the work commitment in its entirety, but doesn't spend all of the obligated dollars in doing so (in other words he does an excellent job of managing his operations), the difference is subject to forfeit. In our opinion the scope of work and not dollars obligated should be the variable here. We agree that some form of bond should be required to ensure that the work gets done. In our opinion that bond should be limited to the amount of work scheduled to be performed in each year or one million dollars, whichever is less. Proponents of the legislation in its present form say the dollar for dollar bond is necessary to keep "speculators" out of the exploration licensing program. I submit that there may be some confusion here between independent operators and speculators. We believe a one million dollar bond will easily flush out the speculators and not prove a major disincentive to independent operator participation in the program.

2. As it is presently drafted, Senate Bill 150 would allow for the "warehousing" or "banking" of large tracts of land up to 500,000 acres under a 10 year exploration license, provided the work commitment was discharged as planned and the dollar for dollar bond maintained. We believe some shrinking of the license area triggered by work commitment milestones would be appropriate. In other words, as the exploration license moves through the exploratory process and toward the possible eventual conversion of parts of the license area to a lease, there is some specific percentage of the acreage in the original license area relinquished annually. This would encourage further industry interest in the surrendered areas and prevent the amassing of huge tracts of land by the licensee with the greatest financial resources.

3. Senate Bill 150 in the present form gives extraordinary discretionary powers to the Commissioner of the Department of Natural Resources. As you know, this is an appointed position, and the possibility therefore exists that the way in which the exploration licensing program is administered can be subject to political pressures. We encourage your committee to consider the establishment of an independent board made up of knowledgeable Department of Natural Resources and private sector participants to administer the program.
4. As I remember, the exploration licensing concept developed from a desire to stimulate activity in the unexplored basins of Alaska. The Department of Natural Resources currently has an active and effective 5 year oil and gas leasing program. Obviously the exploration licensing program and the five year leasing program have to interface in some manner. As presently drafted, Senate Bill 150 essentially opens all areas of the state to exploration license applications. While a strong case can be made that both Cook Inlet and the North Slope are inadequately explored, we believe these areas should not be subject to exploration licensing. The possible exception might be those areas of the North Slope lying south of the presently producing areas and encompassing the Arctic foothills belt. Activities in Cook Inlet Basin and on the North Slope north of the 8N Township are best left to the existing state leasing program. Since the existing bill does not specifically define the term "insufficient or undocumented geologic and geophysical information", the potential is there for the deepest pocket to tie up most of the unleased land in areas that already have some proven production. We believe this is not an appropriate role for exploration licensing and it will lead to fewer, rather than more operators being involved in the state.

In summary, we support exploration licensing as a vehicle to encourage and stimulate exploratory activity in frontier areas of Alaska. We believe exploration licensing will improve the health of oil field service and support companies by providing expanded work opportunities. We encourage your committee to consider a committee substitute for Senate Bill 150 which would address the inequities in the current bill which I have described, and basically level the playing field. I would be honored to work with your staff to develop the language of these changes, if you feel these concerns have merit.

Thank you again for the opportunity to make this presentation.



Stewart Petroleum Company

Denali Towers North, Suite 1300
2550 Denali Street, Anchorage, Alaska 99503
(907) 277-4004 • FAX (907) 274-0424

TESTIMONY ON SB 150

SENATE SPECIAL COMMITTEE ON OIL & GAS

April 1, 1993

Mr. Chairman and members of the Oil & Gas Committee, my name is Bill Stewart, President of Stewart Petroleum Company. We are a small independent oil and gas exploration and production company based in Alaska. We are active in Alaska and seven other states. Our current area of interest within Alaska is Cook Inlet Basin. We have been fortunate in discovering an oil field of significant size on the west side of Cook Inlet and are in the early stages of development of that field (named West McArthur River Oil Field) at the present time. Production of the discovery well is about to commence and, according to available information, we are the first independent company to establish commercial oil production in Alaska in modern times.

We are familiar with Senate Bill 150 which provides for oil and gas exploration licensing. There is nothing wrong with the concept of exploration licensing and it has been used successfully in various places around the world. There are

variations on the theme and such licenses are sometimes referred to as "concessions" or "work concessions". I am familiar with the program as it exists in Canada on federal or "Queen's" lands and, to a lesser degree, I am familiar with the programs in Australia and in the North Sea.

With respect to Alaska, any licensing program should not include the mature areas which are the North Slope and Cook Inlet Basin. Such a program is appropriate for and should be utilized in frontier areas. Alaska has in the order of 20 sedimentary basins. Only half a dozen have been explored and only two have been extensively explored.

While the concept of exploration licensing has merit for the State of Alaska, certain provisions of Senate Bill 150 will preclude participation in the arrangement by independent producers and probably by the smaller of the major oil companies, as follows:

1. The bill as drafted allows for licenses covering as much as 500,000 acres. With the contemplated license fee in the amount of \$1.00 per acre, many independents will not pursue the arrangement further. The entire Prudhoe Bay Field, the largest oil field on the North American continent, covers less than half of the 500,000 acre maximum, and the likelihood of discovering another Prudhoe Bay is highly unlikely. A license limit of 100,000 acres is more appropriate and will allow competition by smaller companies. Also, reduction of the license area over time as the exploration process defines specific prospects is in order. In addition, total

land under license to any single licensee should be limited to, say, 500,000 acres to prevent "warehousing" of acreage.

2. The bill as drafted provides for an obligation to perform a specified minimum work commitment, expressed in dollars. We submit that the work commitment should be expressed in terms of activity (ie, 35 miles of seismic work plus one exploratory well to be drilled to a depth of 10,000 feet). Independents can operate cheaper than major companies. The bill as drafted punishes efficiency. If we were to bid in terms of dollars for the work program just cited, we might bid \$1.5 million for the seismic and \$10 million for drilling, for a total of \$11.5 million. If we were able, through efficiency, innovation, or luck to perform the entire program for \$9.5 million, the \$2 million "savings" would be forfeited to the State of Alaska under terms of the bill.
3. The required "performance bond or other security in favor of the State in an amount not less than the amount of work to be performed" will, of course, preclude participation by smaller companies. Bonds of that nature are simply not available in today's market. We are a small but successful company with a good financial statement, but we were unable to obtain, at least initially, a \$100,000.00 drilling bond, which is currently required as a condition of the drilling permit. We satisfied the obligation by pledging a certificate of deposit to the State of Alaska. We could not possibly pledge the \$11.5 million utilized in our example and

allow those funds to be tied up for long periods of time plus do the actual work. That arrangement amounts to paying double for the activity. We suggest a performance bond posted annually in the amount of 10% of estimated expenditures for the ensuing year.

Setting aside our "example" for the moment and looking at reality, our company has expended or caused to be expended close to \$20 million in connection with the West McArthur River project. If we had been required to post a bond in that amount, the project would never have happened. During periods of drilling, approximately 40 full time on-site jobs are created together with approximately 20 support jobs in Anchorage or Kenai. Pipeline construction involves approximately 25 full time on-site jobs and 15 support jobs. After full development of the field, about 15 permanent on-site and support jobs will be involved in producing operations. Upon full development of this field, we estimate taxes and royalties to the State of Alaska will exceed \$1 million per month. Total revenues to the state are estimated at \$250 million over field life.

4. Finally, the oral outcry arrangement provided in SB 150 will, again, preclude real competition by the independent sector. We submit that the sealed bid arrangement presently utilized in the state's competitive oil & gas leasing program is more appropriate.

As an independent producer, we are in touch with many other independent

producers. There are roughly 10,000 members in IPAA, the Independent Petroleum Association of America. Most of the IPAA members will never venture to Alaska, but in the wake in our success, we are beginning to hear expressions of interest from quite a few who have the financial capability of operating or investing here. Exploration licensing with the modifications we have suggested will attract those independents. Exploration licensing as currently set forth in Senate Bill 150 will discourage them.

Thank you for hearing us. We look forward to continued work with the committee in this matter and are prepared to assist with specific language to accomplish these suggested changes.

ARCO Alaska, Inc.

Exploration Licensing Testimony

Mr. Chairman, members of the Senate Oil and Gas Committee, my name is Jim Davis: I am Senior Vice President of Exploration and Land for ARCO Alaska, Inc.

I am pleased to testify in support of SB 150, Exploration Licensing. We believe that this supplement to the state's leasing program can invigorate exploration for oil and gas. It can do this by substantially reducing the time required to acquire secure title to enough land to justify exploration activities while meeting all environmental laws and regulations.

I would like to pick up on Mr. Eason's review and analysis of the legislation. First, I would like to review the development of this bill. I think that this will help us see the policy choices facing the state. I would then like to address the main objections that I have been hearing and explain why they don't change our support for this bill.

Development of the Exploration Licensing Bill

A little over a year ago, I sat in joint hearings before this body and introduced the concept of exploration licensing.

Many of you may recall that there was general concern then that exploration in Alaska was declining and that oil companies were scaling back or ending their operations; presumably in favor of more attractive overseas prospects. I must admit that I was also feeling a sense of loneliness as I tried to interest prospective partners to join with ARCO in drilling Kuvlum in the Beaufort Sea; we now see that it turned out to be a discovery.

At that time, the legislature asked us to talk about ways in which exploration in Alaska could be stimulated. As we developed ideas, we considered various options. Standing back and looking at exploration in Alaska, we recognized that it is a very costly and high risk venture. We thought about ways the state could reduce our direct exploration investment. It was tempting to think of tax credits, because they have proven in other countries, such as Canada, to be very effective in stimulating drilling. However, we concluded that the state would not be able to bear these upfront costs, especially in light of the fiscal gap crisis it is facing.

The other alternative that we examined was reducing the time required to find and develop oil. We focused on the state leasing program. Here we found real possibilities to shorten exploration time. For example, under the present leasing system, it can take five to ten years to accumulate

enough of a land position to justify the high expense of an exploratory well. This puts Alaska at a competitive disadvantage with foreign countries, and this is one reason we see other oil companies leaving Alaska and investing abroad. Two activities which take time are waiting first for a prospect to move through the five year leasing schedule, and then developing a consolidated position out of the patchwork of individual lease ownerships covering the prospect. Even more uncertain, is consolidation of ownership on adjacent leases after a discovery. So we believe that speeding up the process of securing title would help the state's goal of invigorating exploration.

We found some interesting ideas in methods used by many foreign countries. In these countries, development rights are given after government chooses the specific work proposal that will most likely yield discovery and development. *"other"*

The basic concept for exploration licensing in Alaska came from this approach. We felt that the existing lease process could be supplemented with licensing based upon work commitments, public disclosure, and competition. By the way, this approach has also been used in the U.S. as well as other countries, so this is not an untested concept.

[Optional]

Key Aspects of the Bill

[Let me next supplement Mr. Eason's testimony by highlighting the major aspects of the bill.

An exploration license is applicable to unleased land. A prospective licensee (or the state) identifies an area not to exceed 500,000 acres and proposes a work program, expressed in dollars, to be conducted over a time period of not more than 10 years. If the state does not reject the proposal, it then solicits competitive proposals. Since the original proposal is a matter of public record, and in order to not put the original proposer at a disadvantage, an oral auction is held to determine the prospective licensee that is willing to make the greatest work commitment, again, expressed as total dollars. During this process, the state makes a best interest finding before awarding the license. At the time that the license is awarded, the terms of the subsequent leases are established. In addition, the licensee posts a performance bond that reverts to the state for all committed work not completed by the end of the license term. The bond is critical in that it provides the incentive to do real work.

After getting all of the normal environmental and other permits, the new licensee conducts the work. Upon completion of the work, the licensee, at its option,

converts all or part of the license area to appropriate sized leases.

This conversion to smaller leases is critical to keeping licensing from becoming a vehicle for land speculation. It allows the state to take back leases after the primary term expires, where no development potential is shown. Therefore, the leases would be administered just as they are today. The bill provides for leases acquired through licensing to not be subject to the current 500,000 acre chargeability limits.]

To summarize, the bill is really quite simple in its concept. Its main purpose is to shorten the time required to explore. It gives a secure land position in return for a bonded work commitment. It relies on market competition to prevent abuse or giveaways. And it provides protections to the state by allowing the Commissioner to reject any proposal and revert to the existing leasing program.

Beginning in 1991 ARCO was asked by a number of legislators to come up with a concept that would attract industry back to Alaska. Last summer we began working with DNR to help craft the Exploration Licensing legislation. We made suggestions that advance the goals of getting exploration moving and of helping the state to realize tax and royalty revenues from new sources as soon as possible. We have resisted endorsing concepts that

dilute this bill just for the sake of compromise or getting a bill passed that "everyone agrees with." We believe that the State's interest of getting exploration accelerated should be kept foremost in any modifications.

Major Objections to the Bill

Let me now respond to the major arguments that I have heard against this bill. Foremost, I'm surprised that others do not see that it's in the State's interest to get exploration moving: to find and develop oil and gas as quickly as possible. Maybe it would be clearer if this bill were titled the Exploration Work Commitment Bill. That title captures for me the fact that while land is being acquired, the real effect of licensing is to get exploration work done. All of the criticisms or amendments that I have heard, serve to weaken or dilute the goal of speeding up exploration. Unfortunately, some even seem to be self serving at the expense of the State's interest. Let me illustrate by looking at these objections one at a time.

I hear some say that the leasing system is working fine and that no license bill is needed. Yes, leasing does happen and clearly the state and the industry have benefited. But I would rather say that benefits have come in spite of leasing, not because of leasing: discovering and developing Prudhoe, for example, had much more to do

with the quality of the reservoir than the effectiveness of the leasing system. Further, revenues to the state from bonuses and rental have amounted to less than 1% of total revenues from 1981 through 1992. Clearly the state benefits most from discovery and development. To me, a way to supplement the lease system with a faster process such as licensing is needed.

A more specific complaint is that the bill should exclude broad portions of the North Slope and Cook Inlet from licensing. The reason, I hear, is that licensing is only needed in "frontier" areas, not mature areas. Let me offer a few thoughts on this. First, I would like to debunk the idea that the North Slope and Cook Inlet are mature areas. They are producing areas, that's true. But they have been anything but thoroughly explored. For example, the North Slope bounded by the Beaufort Sea on the north, the Brooks Range on the south, the Canning River on the east, and the Colville River on the west contains 12 million acres and there have only been 40 exploration wells drilled, an average of 1 per 300,000 acres. For comparison, Texas has had an average of 1 well per 950 acres. We agree that this should be a frontier area bill: but we think that licensing should be available for both intellectual as well as geographic frontiers. Our Cook Inlet discovery, the first in 25 years, is a good example of this. Most basins go through cycles of discoveries. Cook

Inlet is now in its second cycle. We rethought the geologic concepts in Cook Inlet and by applying them found oil in an area that industry had all but abandoned. There is land in both the Cook Inlet and on the North Slope that has been leased and returned to the state, or offered for sale and not bought. These areas are intellectual frontiers and as new concepts are developed, these areas should be available for licensing.

The second thought is that the Arctic North Slope is a particularly poor choice for blanket exclusion. This is because new sources of oil are needed to keep TAPS running as long as possible. Crude rate through TAPS will be declining significantly over the next ten years and modifications such as shutting down pump stations will be needed. Over time, it will be more and more expensive to bring TAPS capacity back up. New discoveries will have to bear those costs. As time proceeds, discoveries will have to be larger and larger to justify TAPS investments. I just don't think that we can expect to find larger and larger fields. We must try to find as many smaller sized fields as soon as possible to maximize the economic efficiency of TAPS and to keep rate from declining as quickly. There is an added benefit that the longer TAPS operations continue, more oil will be produced from existing fields like Prudhoe and Kuparuk. Exploration Licensing is especially applicable on the North Slope because we have only a

limited window of opportunity. I have heard no one argue that licensing will slow down the pace of exploration. Therefore, I am forced to conclude that suggestions for exclusion from licensing are really suggestions to purposefully slow down exploration. Industry opposition to licensing in some areas is proof that they believe their competitors are willing to make work commitments to explore in Alaska. This is the last area the state should exclude. It's too critical. To summarize, we think that no additional exclusionary language is needed in this bill: the commissioner has more than enough discretion to protect the state's interest.

Perhaps too much

You may hear from other companies who support such exclusions. Usually these are companies which have focused what little exploration activity they have into a single geographic area. They say they favor licensing except where they are currently working. I ask you as legislators to judge whether such restrictions serve the interests of the state or the self-interest of those seeking exclusions to the licensing bill. Do they fear that licensing would bring increased competition to their areas of interest?

The performance bond has also been criticized as being too onerous. But it would be a mistake to provide relief from bonding. The reality is that Alaskan exploration is high

risk and high cost. Nothing has changed for players without the financial ability or interest in licensing. They can continue to participate through existing leasing. Or they can form joint ventures with others and seek licenses. Dropping the bond requirement encourages speculation, not exploration. And holding land without exploring is of no benefit to the state.

The oral outcry form of bidding has been criticized as not being viable. We see oral auctions as protection for the person who submits the initial proposal, which may be subject to partial disclosure. The originator may be disadvantaged during bidding by competitors having that information. The argument against oral auction is that it will be too complex. But it is really fairly simple. After the state has solicited and evaluated proposals, it develops a common basis for the bidding and the competitors bid a work commitment in terms of dollar amount. There really is not anything unworkable here. Also, this concept is not new, it's been utilized in numerous countries for many years.

As I mentioned earlier, one of the fundamental protections for the state and the industry is the existence of market competition. One of the most disturbing arguments I've heard against this is that some companies will not use licensing because they have only limited funds for Alaska.

In essence, these people are saying that the state should not speed up the pace of exploring for and discovering oil until they are prepared to reinvest in Alaska. This is probably because they have better foreign opportunities. This demonstrates that Alaska is at a competitive disadvantage as I mentioned earlier. Exploration Licensing will help level the playing field by making Alaska more attractive for exploration.

Critics of this legislation are quick to point out that ARCO has committed nearly 1 billion dollars to an active, ongoing 5-year exploration program and that exploration licensing is not fair to other companies who have not made such commitments. But we should remember that the goal of this legislation is to have a process which speeds up exploration and which creates competition for making work commitments. Just the introduction of this bill has created a climate of competition within the industry. And that's good for the state. I presume that other companies will seek and win licenses. I hope that ARCO can also benefit from licensing. But I also hope that the state benefits from licensing, because that will mean that exploration in Alaska has been reinvigorated.

I would be happy to respond to any questions that you might have.

EXPLORATION LICENSE SUMMARY
(ARCO draft - 12/14/92)

Right granted to explore for oil and gas, and to convert to lease all or part of the license area upon satisfaction of work commitment

Procedure

Planning : Proposal can be made at any time by an interested party; not subject to five year planning process

Competitive bidding : if more than one party expresses interest, an oral auction would be held

Best interest finding: required

Size of tract	not to exceed 500,000 acres
Available Land	all unleased land not subject to legislative closure.
Term	maximum term for the license is ten years; if converted to a lease, the maximum primary lease term is 10 years
License fee	\$1 per acre
Cash bonus	no
Rental	upon conversion to lease, rental is \$3 per acre
Royalty	Minimum of 12 1/2 percent
Work Commitment	exploration license must be conditioned upon a commitment to perform a specified dollar amount of exploration expenses
Performance Bond	Performance bond required to secure performance of work commitment
Acreage Limitation	acreage under exploration license does not apply to lease holdings limits

from prop & changes in
oil & gas leasing 12/92

PRESENT OIL AND GAS LEASING SYSTEM

Right granted to explore for and to produce oil and gas

Procedure

Planning : With limited exceptions, cannot be leased without going through the five year lease planning process

Competitive bidding : required

Best interest finding: required

Size of tract	not to exceed 5,760 acres
Available Land	all unleased land not subject to legislative closure
Term	maximum primary term of 10 years
License fee	no; not applicable
Cash bonus	yes (may be fixed or a bid variable)
Rental	escalates starting a \$1 per acre to a maximum of \$3 per acre
Royalty	Minimum of 12 1/2 percent
Work Commitment	commissioner may provide for it (usually does not)
Performance Bond	work commitment performance bond only if as condition of waiver of any requirement
Acreage Limitation	lease acreage subject to lease holding limit unless producing or committed to a unit or pooling agreement

EXPLORATION LICENSES AND REGULAR LEASE SYSTEM COMPARED:

•**Context:** Exploration license system supplements, does not supplant regular leasing program. Commissioner retains flexibility and authority to manage lands to maximum advantage.

KEY DIFFERENCES:

•**Size:** Exploration license system allows a large tract size.

Entire prospect can be utilized to acquire risk capital

Exploration and development not held up pending follow-up lease sales

Bureaucratic inefficiencies of unitization potentially avoided

•**Timing:** Exploration occurs when industry is interested and ready to undertake it. The delays associated with the five-year leasing program can be avoided.

•**Use of exploration capital :** Except for the exploration license fee (which can be analogized to a bonus), exploration capital is directed to exploration rather than to large lease acquisition costs. This maximizes the potential for future oil and gas discoveries upon which the state's royalty and tax income is dependent and should accelerate new discoveries.

STATEMENT OF BP EXPLORATION (ALASKA) INC.

TO THE

SENATE SPECIAL OIL & GAS COMMITTEE

REGARDING

SENATE BILL NO. 150

March 23, 1993

Mr. Chairman, Members of the Committee. Good afternoon. My name is John Ringstad, and I am Associate Director, Government Affairs for BP Exploration (Alaska) Inc. Thank you for this opportunity to appear before you today to present BP's views on SB 150, the Governor's large-block licensing bill.

SB 150 would make state lands available for oil and gas exploration and development under a very different approach from the system of competitive oil and gas lease sales that Alaska has used since 1959. Under the leasing system, state land is made available in relatively small parcels of not more than 5,760 acres. In contrast, the licensing system proposed in SB 150 would make land available for exploration in blocks of up to 500,000 acres apiece. Instead of bonus bidding, the new licenses would be awarded competitively on the basis of how much exploration work a would-be licensee promises to do. The bidder promising the most work in a license area would win the license for that area. If the licensee makes a discovery, he would have the right to lease the portion of the license area encompassing the discovery. In its basic approach, this new licensing program is very much like the oil and gas "concessions" that most nations around the world employ to get oil and gas exploration and development.

BP supports the idea of large-block licensing for the relatively unexplored areas of Alaska. While BP's exploration focus is on the North Slope and will remain there, we believe that the licensing approach could facilitate the exploration of the so-called "interior basins" in Alaska -- basically, all of the state outside of the Cook Inlet basin and the North Slope. We applaud the Governor and those in his Administration who worked to develop this bill, for breaking out of the "traditional" mindset that 30 years of using the same

practice can cause, and for having the willingness to propose a new system that they think will work better than leasing.

However, despite our support for the general idea of large-block licensing for the relatively unexplored areas of Alaska, we *oppose* SB 150 as currently written. We have three specific matters of concern: 1) its application to the North Slope, 2) the oral outcry auction provision and 3) the exemption which allows the warehousing of acreage.

Our first concern is that SB 150 would allow licensing on the North Slope, particularly in the planning areas for the remaining state lease sales scheduled for the Slope. We believe the State's interests would be harmed, not helped, by allowing the currently planned lease sales to be cast aside in favor of a licensing program. Lease sales bring in cash bonuses; the licensing program would not. Unlike lease sales in unexplored areas, which bring in minimum bonuses, the recent state lease sales on the Slope show there is enough interest to make the bonuses there substantial. Thus, to stop using lease sales on the Slope would represent a significant cash cost to the State. For licensing to be justified, therefore, it has to be great enough to offset this cost.

The chief advantages that licensing offers are the possibility of more exploration and earlier exploration, but we doubt that licensing would deliver very much of either advantage on the Slope. There is already more exploration interest on the Slope than anywhere else in the state, and the Slope is likely to end up being just as thoroughly explored under conventional leasing as it would with large-block licensing. Moreover, it is not clear that licensing would bring about exploration on the Slope any faster than conventional leasing would. It is expected that exploration drilling under a licensing program would begin as early as two years after a license is issued. But our Cascade well that we are drilling this year is on land we leased only two years ago -- in 1991. We also plan to drill our Yukon Gold well later this year, and it, too, is on a lease issued in 1991. ARCO's Cave Bear well, scheduled to be drilled next year, is on land they leased just last year. So, even though it is sometimes true that exploratory drilling doesn't begin until eight or nine years after a lease is issued, it is also true that much of the current exploratory

drilling on the Slope is occurring as soon after a lease sale as it would under a large-block licensing program.

There is one more thing you should consider before letting the Slope be opened up to large-block licensing. Conventional leasing allows companies to come in and bid for leases even though they do not plan to operate the leases they may acquire: They are, in effect, investors rather than operators. The licensing program, in contrast, gives a tremendous advantage to any companies who are already operators in the vicinity of a license, because they already have a base of operations there and have working knowledge and experience with the area. On the Slope, there are two dominant operators. Is it good state policy to let one, or both, "lock up" the rest of the Slope under a licensing program? Or would it be better to continue letting other companies have a chance for a piece of the action, as they do with conventional lease sales? For BP's part, we are not afraid of having more competition, but welcome it.

I said earlier that BP has three concerns about SB 150, and so far I've only talked about one.

The second concern is about the nature of the auction for a large-block license. SB 150 calls for an "oral outcry" auction -- that is, the bidders are all in a room together and each one keeps bidding higher and higher about how much exploratory work it will do, until finally no one is willing to bid any higher and the license goes to the last, and highest, bidder. This is a singular departure from the way similar "concessions" are offered elsewhere around the world. The usual method is with sealed written bids that are submitted in advance, much the same way bonus bids are submitted to Alaska in its competitive oil and gas lease sales. The system of sealed bids in advance makes everyone bid on the basis of their best view of the prospect, and it is likely to attract more participants in the auction than the "oral outcry." BP prefers sealed bids.

Our third concern is about whether a lease being carved out of a license area counts against the State's limits on how much acreage a company may have under lease at one time. SB 150, at lines 8 and 9 on page 5, specifically

exempts such a lease from the acreage limits. We see no reason for the State to give such an exemption.

The acreage limits were enacted as part of the original state Land Act in 1959 in order to prevent companies from "warehousing" large numbers of leases. The State wanted companies to either explore and develop the leases they got, or else surrender them back to the State. This is shown by the fact that leases in an exploration unit or a development unit are not counted against the acreage limit. With a unit, the State knows there is a plan, and has to approve that plan, either to explore the leases or to develop and produce the leases, depending on the type of unit.

If you think about it for a moment, there is no reason for such an exemption even from a license-holder's point of view. Why would a license-holder be trying to get a lease for part of his license area in the first place? Because he either has found something there or has good reason for believing something is there. But in either case, there is no reason why he cannot put the lease into a unit if he doesn't want it to count against his acreage limits. And if he does unitize the lease, then the State will continue to have assurance that there are real plans for further exploration and/or development for that lease. BP believes a lease being carved out of a license area should count against the acreage limits.

In summary, then, BP supports the general idea of large-block licensing for the relatively unexplored areas of Alaska. But we oppose SB 150 in its present form because it does not deal adequately with the issue of licensing on the North Slope. We are also seriously concerned about the provisions in SB 150 to use an "oral outcry" auction instead of sealed bids, and about its exemption from the anti-warehousing acreage limits for leases carved out of a license area. With corrections in these areas, we would welcome SB 150 as a progressive new approach for encouraging oil and gas exploration in Alaska.

Thank you, Mr. Chairman, for this opportunity to present this statement to the Committee today.

COOK INLET REGION, INC.

March 23, 1993

Senator Loren Leman
State Senate
Chairman, Senate Oil & Gas Committee
State Capitol
Juneau, Alaska 99801

Dear Senator Leman:

I appreciate the opportunity to present written testimony regarding SB 150 on behalf of Cook Inlet Region, Inc. (CIRI), the Alaska Native regional corporation for the Cook Inlet area. CIRI is owned by approximately 6,500 Athabaskan, Eskimo and Aleut shareholders. CIRI's principal lines of business are natural resource development (oil and gas, minerals, coal and timber), real estate, oilfield services, and broadcast radio and television. Today I would like to focus on the area of oil and gas.

CIRI owns and manages 924,000 acres of surface estate and 1.6 million acres of subsurface estate in Alaska, and has been active in Alaska's oil and gas industry for over fifteen years. CIRI and its wholly-owned subsidiary, CIRI Production Company, hold various royalty and working interests in several producing and prospective oil and gas fields on the Kenai Peninsula and Alaska's North Slope. A primary emphasis of CIRI's strategy for economic growth is the continued development of its natural resource holdings. Such development benefits CIRI and businesses throughout the state. As one example, under the sharing provisions of Section 7(i) of the Alaska Native Claims Settlement Act, CIRI has distributed over \$120 million to other Native corporations across Alaska. Millions more dollars have been injected into the economy in the form of shareholder dividends. Most of these distributions resulted from the production of oil and gas. However, just like the state, CIRI's oil and gas reserves are declining. And like the state, we must find new sources of production if we are to continue our significant economic role.

In light of the changing realities in the oil and gas industry, and world economics, we believe it is both appropriate and advisable for the legislature to consider certain new and innovative approaches to oil and gas leasing and development. Last year, the state took a historic step when lands in the Nuiqsut area of the North Slope were leased under joint agreement between the State of Alaska and Arctic Slope Regional Corporation. We believe there may be other situations in which cross-assignment of interests between the state and Native landowners could substantially enhance the chances for successful leasing and development of both the state and private lands. Because of CIRI's land pattern on the Kenai Peninsula, we would be particularly interested in pursuing such a concept with the state. CIRI has also worked closely with other private landowners and

Statement of Gerald Booth
March 23, 1993

Page 2

the state of Alaska in the effort to extend the state's Exploration Incentive Credit program to all lands in Alaska. CIRI supports the comments of the Alaska Federation of Natives regarding SB 151.

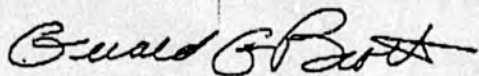
In addition, you have before you today SB 150 which would allow companies to explore large, untested blocks of land through an exploration license issued by the state. This is a departure from the traditional competitive leasing approach for state lands, but it is not an unfamiliar concept to Native corporations. For years on our own lands, we have worked with companies under exploration agreements whereby prospective areas could be later converted to lease.

Fundamentally, this concept is market driven, whereby industry would advise the state which lands are of interest, thus potentially reducing the time in which to acquire lands for exploration when capital and expertise is available and focused on a particular area. The concept is designed to supplement, not replace, the state's current competitive leasing program. CIRI supports the basic concept of large block exploration and exploration licensing, and we will be pleased to work with the legislature as you consider and refine the present legislation with respect to areas to be included or excluded, time periods for licensing and leasing, relationship of the program to adjacent landowners, etc.

In closing, I appreciate the opportunity to provide our comments to the Senate Oil and Gas Committee. Carefully crafted, the legislation currently being considered by the committee can help stimulate additional exploration of Alaska's future potential oil and gas resources. As an Alaska Native corporation, CIRI has a special relationship to Alaska's future. Even in today's highly mobile society, fifty years from now, the majority of our shareholders will still call Alaska home. This is where our economic future must be secured. Thank you.

Sincerely,

COOK INLET REGION, INC.



Gerald G. Booth
Vice President
Energy and Minerals

*Via
telex
3/23/93*

LAPP RESOURCES INC.

TESTIMONY TO THE SENATE OIL AND GAS COMMITTEE
ON EXPLORATION LICENSING

March 23, 1993

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE.

I'M DAVID LAPPI, PRESIDENT OF LAPP RESOURCES INC., AN INDEPENDENT PETROLEUM EXPLORATION COMPANY BASED IN ANCHORAGE.

I AM A 1974 GRADUATE OF THE UNIVERSITY OF ALASKA IN FAIRBANKS, AND I GAINED MY EXPLORATION EXPERIENCE IN BOTH ALASKA AND AUSTRALIA. IN AUSTRALIA BETWEEN 1981 AND 1991, I EXPLORED UNDER EXPLORATION LICENSING LEGISLATION. I ALREADY HAVE 10 YEARS OF PRACTICAL EXPERIENCE USING THE CONCEPT BEING DISCUSSED HERE.

MY OVERSEAS EXPERIENCE HAS CONVINCED ME THAT ALASKA NEEDS TO ADOPT EXPLORATION LICENSE LEGISLATION TO ENSURE THAT ALASKA'S FAVORABLE GEOLOGY ATTRACTS ITS FAIR SHARE OF THE INTERNATIONAL EXPLORATION DOLLAR, AND, GIVEN THE HIGHER COST OF OPERATING IN THIS STATE, THE EXPLORATION LICENSE TERMS NEED TO BE AT LEAST AS FAVORABLE AS TERMS GIVEN BY OTHER COUNTRIES WHO OFFER EXPLORATION LICENSES.

THE BILL CURRENTLY PROPOSED GOES SOME WAY TOWARD FILLING THIS NEED, HOWEVER, THERE ARE FIVE ITEMS WHICH WE WOULD LIKE TO SEE INCLUDED IN THE CURRENT BILL AND TWO ITEMS WHICH WE WOULD ASK YOU TO ELIMINATE.

THE FIRST ITEM WE SEEK TO INCLUDE RELATES TO THE BIDDING PROCESS: UNDER THE CURRENT BILL, COMPANIES BID DOLLAR AMOUNTS, NOT WORK PROGRAMS. WE WOULD PREFER TO SEE ACTUAL WORK PROGRAMS BID, THAT IS, MILES OF SEISMIC SHOT, EXPLORATION WELL FOOTAGE DRILLED, AND SO ON. THIS WILL HELP LEVEL THE PLAYING FIELD BETWEEN LARGE COMPANIES AND SMALL ONES, THE LARGE COMPANIES OFFER LARGE BUDGETS, THE SMALL COMPANIES OFFER INNOVATIVE EXPLORATION CONCEPTS AND EXPLORATION EFFICIENCY.

THE SECOND ITEM TO INCLUDE ALSO RELATES TO BIDDING: WORK PROGRAMS BID BY COMPANIES SHOULD BE TIED TO A TIME LINE THAT ENCOURAGES EARLY EXPLORATION AND DEVELOPMENT. THE CURRENT BILL DOES NOT REQUIRE EXPLORATION TO COMMENCE UNTIL THE LAST YEAR OF THE LICENSE; UP TO 10 YEARS OF THE STATE'S VALUABLE TIME CAN BE LOST WAITING FOR COMPANIES TO PERFORM THEIR WORK. WORK PROGRAMS FOR THE LIFE OF THE LICENSE SHOULD BE BID ON AN ANNUALIZED BASIS TO ENCOURAGE WORK EARLY IN THE LIFE OF THE LICENSE. COMPANIES NOT PERFORMING THEIR WORK ^{on an annual basis} WITHOUT VALID OVERRIDING REASONS SHOULD LOSE THEIR LICENSE.

THE THIRD ITEM IS A REQUIREMENT FOR COMPANIES WHO OWN EXPLORATION LICENSES TO RELINQUISH 25% OF THE REMAINING LICENSE AREA EVERY TWO YEARS. THIS WILL PREVENT "BANKING" LARGE PARCELS OF ACREAGE, CREATE TURNOVER IN THE ACREAGE HOLDINGS, AND STIMULATE INDUSTRY INTEREST. THE STATE COULD EVEN OFFER RELINQUISHED AREAS AS CONVEN-

TIONAL CASH BONUS BID LEASES IN AREAS ^{shown to have} HIGH EXPLORATION POTENTIAL.

THE FOURTH ITEM IS ALSO RELATED TO THE "BANKING" OF EXPLORATION AREAS. THE CURRENT BILL EXEMPTS AREAS ACQUIRED AS EXPLORATION LICENSES FROM ACREAGE HOLDING LIMITATIONS. IF ITEMS ONE AND TWO ^(requiring early work) JUST MENTIONED ARE ADOPTED, I SEE NO REASON TO LIMIT ACREAGE HOLDINGS BY A GROUP OF RELATED COMPANIES. HOWEVER IF COMPANIES ARE NOT REQUIRED TO PERFORM WORK ON THEIR LICENSES, I BELIEVE THAT EACH GROUP OF RELATED COMPANIES SHOULD BE LIMITED IN THE ACREAGE THEY HOLD TO THE CURRENT LEVELS. RELATED COMPANIES ARE EITHER PARENT OR SUBSIDIARY COMPANIES, OR COMPANIES THAT ARE CONTROLLED BY COMMON OWNERS.

THE FIFTH ITEM TO INCLUDE IS A REQUIREMENT TO SUBMIT ALL EXPLORATION DATA ACQUIRED TO THE STATE, WHICH WOULD BE OPEN FILE DATA, AVAILABLE TO THE PUBLIC FOR THE COST OF COPYING, UPON SURRENDER OF THAT PART OF THE LICENSE, OR TWO YEARS, WHICHEVER IS LATER. THIS PROMOTES THE EFFICIENT USE OF EXPLORATION DATA ALREADY ACQUIRED, AND SPEEDS THE EXPLORATION PROCESS.

THE FIRST ITEM WE SEEK TO ELIMINATE IN THE CURRENT BILL IS THE ORAL OUTCRY AUCTION. WE BELIEVE THAT THE BEST INTERESTS OF THE STATE WOULD BE SERVED BY OFFERING THOSE AREAS COVERED BY COMPETING APPLICATIONS BY EITHER A SEALED-BID WORK PROGRAM BASIS BETWEEN THE INITIAL APPLIC-

ANTS, OR VIA CONVENTIONAL CASH BONUS BIDDING.

THE SECOND ITEM TO ELIMINATE IS THE "PERFORMANCE BOND". OTHER LIMITED ENTRY USERS OF THE STATES RESOURCES DO NOT POST PERFORMANCE BONDS, AND I THINK THAT IT SETS A DANGEROUS PRECEDENT. THE MINING, FISHING, TIMBER AND TOURISM INDUSTRIES SHOULD TAKE NOTE IF THIS BECOMES LAW; THEY WILL PROBABLY BE NEXT. WHEN A MINER STAKES A CLAIM, HE IS SAYING THAT HE HAS DISCOVERED AN ECONOMIC MINERAL DEPOSIT. SHOULD THE STATE REQUIRE HIM TO POST A BOND IN THE EVENT THAT HE DOES NOT PROCEED WITH HIS PLANS TO MINE? SHOULD THE FISHERMAN WHO OWNS LIMITED ENTRY PERMIT POST A BOND BECAUSE HE MAY NOT FISH THIS YEAR? I HOPE THE ANSWER IS NO.

THE PERFORMANCE BOND CONCEPT IS AN EXCELLENT WAY TO KILL ENTREPRENEURIAL ACTIVITY IN THE OIL AND GAS SECTOR IN ALASKA, AND GUARANTEE THAT ONLY A HANDFUL OF ~~MAJORS~~ *Companies* WILL EVER EXPLORE EXPLORATION LICENSES HERE. THERE IS NO REASON EXCLUDE SMALLER COMPANIES AND INDEPENDENTS BY REQUIRING PERFORMANCE BONDS, ESPECIALLY IF THEY ARE REQUIRED TO PERFORM THEIR WORK ANNUALLY, OR LOSE THE LICENSE.

We support the application of ELs over the entire state including CEFS.

I THANK YOU FOR YOUR TIME AND LOOK FORWARD A MORE ACTIVE EXPLORATION INDUSTRY UNDER THIS MODIFIED BIDDING SYSTEM. IT DESERVES THE SUPPORT OF EVERY ALASKAN.

LAPP Resources Inc.

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March 17, 1993

MAR 19 1993

Senator Loren Leman
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Telephone: 465-3805
Facsimile: 465-2095

Dear Senator Leman:

Re: House Bill 199 and 200
Exploration Licensing and Exploration Incentive Credits

The State of Alaska gets 85% of its money from oil and gas royalties and taxes on the petroleum industry. Cash bonus bids the State receives from oil and gas lease sales are insignificant in comparison. To increase the State's income significantly, new discoveries must be made, and the best way to do this is to attract new exploration companies to explore Alaska.

The exploration industry in Alaska does not need special incentives, but it does need to be freed of the disincentives, in the form of high up-front costs and charges. Cash bonus bids, "performance" and other bonds are examples of charges which must be borne by explorers even before they make a discovery and have an income. This serves as a powerful disincentive to explore in Alaska.

In recent years, oil majors have decided to explore less in the USA and more in overseas developing countries. This slowed the pace of exploration in Alaska, and caused hard times for many Alaskan-owned businesses who earn their incomes supporting oil and gas exploration and development. If the State can attract greater numbers of companies to explore in Alaska, it will diversify our industry so the actions of one company does not jeopardize the local economy.

It is also time for Alaskans to become actively involved in their own petroleum industry as owners and operators of their own petroleum exploration and development programs. Local control of a portion of the exploration and development activity in Alaska means that we may be able to better survive adverse business decisions made by non-Alaskan companies in head offices far from Alaska.

Alaskans can be successful in discovering and producing petroleum, jobs will be generated for Alaskans, and company profits will remain in Alaska, strengthening our economy. The oil and gas sector is the one single industry which has the potential to fill a significant portion of Alaska's current economic "gap". The State legislature can assist in the development of a locally-controlled industry.

To this end, I request your support for the concept of "Exploration Licensing" which is being considered in Juneau now. Exploration Licensing can be structured to allow Alaskans to participate in the State's economic development and speed the exploration of Alaska's oil and gas lands in a way that is not possible under the present leasing system. The bill should be written so that no company is excluded from exploring, and should contain the following points:

- a) Apply Exploration Licensing to all areas of the State more than 10 miles from producing fields or units.
- b) Award licenses on a proposed work program (not \$\$ spent) basis. The smaller companies are generally more innovative and perform up to three times more work per dollar spent than the majors.
- c) Eliminate the "performance bonding" in the current bill. DEC already requires large bonds prior to any fieldwork. Performance bonding would eliminate 98% of the oil companies in the world from participating in exploration in Alaska. They would explore in more favorable business climates elsewhere.
- d) Work programs in progress should be reviewed by the DNR every two years. Companies failing to carry out their program automatically lose their license. The current bill has no penalty for failing to carry out work in the first **nine years** of the license.
- e) Require relinquishment of 25% of the area every two years. This frees land for further competitive license or lease bidding, at better terms for the State.
- f) All exploration data acquired on licenses must be submitted to the State and available to the public for the cost of reproduction on relinquishment of the area, or after two years, whichever is first. *Later*
This is part of the payoff the State gets for the granting of larger licenses, and increases exploration efficiency by those companies who will follow.

The above proposed legislation would bring Alaska into today's international competition for the exploration dollar. Other countries have similar legislation in place and successfully operating. Most of the majors operating in Alaska also have operations in countries with this type of exploration licensing program, so they have demonstrated their willingness to work within this system.

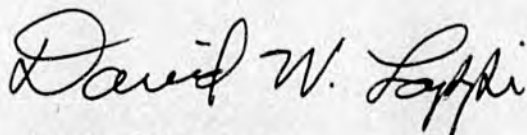
The system will also make it possible for independents to successfully operate in Alaska. There are 8,000 independent oil and gas companies in the "Lower 48" and they (not the majors) have discovered the majority of the fields in the USA.

House Bill 200 - Exploration Incentive Credits is not needed to attract explorers to Alaska, just remove the disincentives in the form of over-regulation and excessive bonding requirements. Properly executed, the exploration license concept could do this and provide the format for new exploration activity here.

Alaska also needs to diversify its economy in other areas - tourism, fishing, logging, mining, services... We need major efforts in all areas to provide jobs and grow our Alaskan economy into a healthy condition.

I would be pleased to supply you with further information on any of the above points. Please contact me.

Sincerely,



David W. Lappi
President

Special Committee on Oil and Gas

Dear Member,

Marathon Oil Company would like you to consider our comments on aspects of HB 199 and SB 150. Marathon is encouraged by the work done by the Department of Natural Resources, The Special Committee and others, in developing avenues to encourage exploration in areas in addition to those currently offered for lease under the states Five-Year Leasing Program.

* Marathon believes the original intent of the legislation was to promote exploration in Frontier areas. The certainty of the 5 year leasing program provides for planning of upcoming lease sales in conjunction with an exploration program.

* Exploration Licensing should be a supplement to the current competitive 5 year leasing program. The competitive nature of the lease sales would be lost if licensing applied to all areas of the state. Those areas with no geologic or geophysical data and those areas which have not been included in the 5 year leasing program should be available for licensing.

* The total number of acres under license should be set at 500,000 acres, allowing flexibility in the number of licenses one may hold yet providing protection from stockpiling licenses.

* The entire bond commitment payment is too restrictive given the dynamic nature of exploration activities. An annual bonding mechanism is suggested as an alternative. If annual bonding and commitments are not satisfied the license is terminated, no further rights would exist and all data would be surrendered.

* The conversion of a license to a lease should come under existing legislation so that new regulations need not be adopted unnecessarily.

Thank you for your time and considering these issues.

If you should have any questions or would like further clarification on the issues please contact Bradley Penn at 564-6428.

Leman
SB 150

Alaska Region
Domestic Production



**Marathon
Oil Company**

P.O. Box 190168
Anchorage, Alaska 99519
Telephone 907/561-5311

FAX # 564-6489

DATE: 3/24/93

TIME: 1 PM

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Sen. Loren Leman

COMPANY/FIRM: Chairman Senate Special Oil & Comm.

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NAME: Bradley Penn

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Thank you

Texaco Inc.

Testimony on HB 199 & SB 150
March 22, 1993

My name is E. H. Pete Nelson, and I am the Land Manager for Texaco's Alaska Regional office. I appreciate the opportunity to share Texaco's views with you regarding the proposed legislation which provides for large block licensing.

First, let me say that the bills present an interesting and, we think, workable concept of a licensing program which will encourage accelerated exploration and hopefully, development of the State's frontier areas which have not, to date, been sufficiently evaluated. The Department of Natural Resources should be commended for its effort to enhance the current leasing program. We understand the Department's intended purpose of the bills and its intended implementation, but we believe that the intent should be reflected in the legislation as follows:

1. To include mature areas such as the North Slope and Cook Inlet, in the large block licensing and leasing program is inappropriate; and we suggest that language be drafted to eliminate these types of areas from applicability. Unproductive acreage in these areas previously leased or offered for lease can be made available for exploration and development under the existing "exempt sale" provisions.
2. The issuance of a license should be conditioned upon the annual posting of work commitment performance bonds or other security in favor of the state in an amount of not less than the amount of the work commitment for each year. This will eliminate the useless expenditure of funds over several years in areas where initial exploration data dictates that no further exploration is warranted. The licensee must choose to bond for the upcoming year or release the license.
3. The commissioner should adopt regulations to evaluate competing proposals. For a healthy competitive situation, the evaluation process must be based on only the original proposals submitted by the prospective licensees and on a common set of specifications.
4. Conversion from a license to a lease or leases should be accomplished under existing state leasing regulations AS 38.05.180 (i) - (u) and (x) - (z), and should be subject to the acreage chargeability of AS 38.05.140 (c). This will discourage the warehousing of acreage and truly encourage acceleration of exploration even on lands held as the result of other leasing programs.

- 2 -

Texaco supports the licensing concept and requests the Committee consider amendments to SB150 and HB199 which will address these concerns.

Again, thank you for this opportunity to express Texaco's views on these bills. I will be happy to work with members of the Committee or staff to enhance the language of this legislation.

Thank you.

A-P342

UNION OIL COMPANY OF CALIFORNIA
TESTIMONY ON SB 150
SENATE SPECIAL COMMITTEE ON OIL AND GAS
MARCH 23, 1993

Mr. Chairman and members of the Oil and Gas Committee -- My name is Kevin A. Tabler, and I am the Land Manager for Union Oil Company of California (Unocal) here in Alaska. I appreciate this opportunity to be heard today and present Unocal's comments on the proposed draft exploration licensing legislation.

Unocal has conducted business in the State of Alaska since the early 1900's. Initially we sold and distributed petroleum products, and in the thirties followed with the beginnings of an exploration strategy and surficial geological programs. Our exploration efforts resulted in significant major oil and gas discoveries in the Cook Inlet Basin. We, along with our partners and other exploration companies, have actively produced hydrocarbons from the Cook Inlet Basin for over thirty-five years. On the North Slope of Alaska, Unocal has ownership in two of the three currently producing oil fields and has participated in numerous exploration wells throughout this region. In the 1993-1994 drilling season alone, Unocal has already announced plans to participate in two rank wildcat exploration wells on the North Slope. Since the beginning of oil and gas exploration activities in the state, hundreds if not thousands of miles of seismic survey were conducted and untold manhours expended interpreting the information collected from these two mature exploration areas.

The state's oil and gas leasing program is clearly defined, well understood, and designed to make available for competitive sale, the state's oil and gas natural resources pursuant to an analytical evaluation and best interest finding. Unocal believes in the current competitive lease sale process, and feels it is the best way to achieve evaluation of the state's oil and gas resource potential. Industry input, through expressions of interest under the Five Year Leasing Program and Call for Comment process, have provided the Department of Natural Resources with guidance in the offering of available state lands. This process has provided the oil and gas industry with a stable and predictable competitive lease sale schedule in mature exploration areas where planning for large capital expenditures are necessary. Unocal believes that exploration licensing in mature exploration areas, such as the North Slope and Cook Inlet Basin, is inappropriate and will not lead to an earlier evaluation of the state's oil and gas resource potential. Therefore, exploration licensing should not apply in these areas.

We do believe exploration licensing could encourage oil and gas exploration activity in frontier areas, such as interior Alaska, and become a very effective means to augment the state's leasing program in areas for which insufficient or undocumented geologic and geophysical information exists concerning the oil and gas potential of that land, or for state land which has not or is not currently subject to an oil and gas lease sale.

The concept of exploration licensing, introduced some time ago to industry, was specific in its design and was presented as having application in frontier areas where little or no scientific information and/or industry activity occurred. Industry, in general, supported

this concept, subject to review of its utilization and administration. Since introduction of this bill on March 12, 1993, Unocal evaluated its specific provisions, its intended purpose, and its objective. We feel the bill, as currently written, needs modification to clearly reflect the intended purpose expressed by the Division of Oil and Gas at the joint House and Senate Oil and Gas Committee hearing March 16, 1993.

To this end, Unocal would like to make the following specific comments about the proposed bill:

Large block licensing is an attractive addition to the state's leasing program to accelerate exploration and potential development of Alaska's frontier areas.

Lands which should be excluded from licensing, should include state lands which have been or are currently subject to an oil and gas lease sale program. Language could be developed to more specifically identify these areas.

Total lands under license to any one licensee should not exceed 500,000 acres and conform to existing leasing statutes and regulations to assure compliance therein and prevent the warehousing of leases.

Licensing should be conditioned upon the annual posting of work commitment performance bonds or other security in favor of the state in amounts not less than the equivalent work commitment for that year.

The commissioner should adopt regulations to evaluate competing proposals. The evaluation process should be based only on the original written proposals submitted by the prospective licensees. This process should employ a sealed bidding method only.

Conversion from license to lease should fall under existing state leasing regulations AS 38.05.180 (i) - (u) and (x) - (z), and subject to the acreage chargeability qualifications of AS 38.05.140 (c).

In closing, Unocal discussed the merits of the foregoing comments with a large number of companies who hold working interest ownership in state of Alaska oil and gas leases and actively participate in exploration operations, and has identified overwhelming support for some form of modification to the proposed legislation in the areas addressed above.

We, at Unocal, look forward to working with the committee and the Division of Oil and Gas as the development and enhancement of this bill progresses.

UNION OIL COMPANY OF CALIFORNIA
TESTIMONY ON HB 199
HOUSE SPECIAL COMMITTEE ON OIL AND GAS
MARCH 22, 1993

SB150

Mr. Chairman and members of the Oil and Gas Committee-- My name is Kevin A. Tabler, and I am the Land Manager for Union Oil Company of California (Unocal) here in Alaska. I appreciate this opportunity to be heard today and present Unocal's comments on the proposed draft exploration licensing legislation.

Unocal has conducted business in the State of Alaska since the early 1900's. Initially we sold and distributed petroleum products, and in the thirties followed with the beginnings of an exploration strategy and surficial geological programs. Our exploration efforts resulted in significant major oil and gas discoveries in the Cook Inlet Basin. We, along with our partners and other exploration companies, have actively produced hydrocarbons from the Cook Inlet Basin for over thirty five years. On the North Slope of Alaska, Unocal has ownership in two of the three currently producing oil fields and has been involved in numerous exploration wells throughout this region. In the 1983/94 drilling season alone, Unocal has announced plans to participate in two rank wildcat exploration wells on the north slope. Since the beginning of oil and gas exploration activities in the state, hundreds if not thousands of miles of seismic survey have been conducted and untold manhours expended interpreting the information collected from these two mature exploration areas.

The state's oil and gas leasing program is clearly defined, well understood, and designed to make available for competitive sale, the state's oil and gas natural resources pursuant to an analytical evaluation and best interests finding. Unocal believes in the current competitive lease sale process and feels, that it is the best way to achieve evaluation of the state's oil and gas resource potential. Industry input, through expressions of interest under the Five Year Leasing Program and Call for Comment process, have provided the Department of Natural Resources with guidance in the offering of available state lands. This process has provided the oil and gas industry with a stable and predictable competitive lease sale schedule in mature exploration areas where planning for large capital expenditures are necessary. Unocal believes that exploration licensing in mature exploration areas, such as the North Slope and Cook Inlet Basin, is inappropriate and will not lead to an earlier evaluation of the state's oil and gas resource potential and, therefore, should not apply in these areas.

We do believe, however, exploration licensing could encourage oil and gas exploration activity in frontier areas, such as Interior Alaska, and be a very effective means in which to augment the state's leasing program in areas for which insufficient or undocumented

geologic and geophysical information exists concerning the oil and gas potential of that land, or for state land that has not or is not currently subject to an oil and gas lease sale.

The concept of exploration licensing, introduced some time ago to industry, was specific in its design and presented as having application in frontier areas where little or no scientific information and / or industry activity occurred. Industry, in general, supported this concept, subject to review of its utilization and administration. Since introduction of this bill on March 12, 1993, Unocal has evaluated its specific provisions, its intended purpose, and its objective. We feel the bill as currently written, needs modification to clearly reflect the intended purpose expressed by the Division of Oil and Gas at the joint House and Senate Oil and Gas Committee hearing March 16, 1993.

To this end, Unocal would like to make the following specific comment about the proposed bill:

Large block licensing is an attractive addition to the state's leasing program to accelerate exploration and potential development of Alaska's frontier areas.

Lands which should be excluded from licensing are state land that has not or is not currently subject to an oil and gas lease sale, and all state lands north of 68 degrees, 30 minutes north latitude.

Total lands under license to any one licensee should conform to existing leasing statutes and regulations to assure compliance therein and prevent the warehousing of leases.

Licensing should be conditioned upon the annual posting of work commitment performance bonds or other security in favor of the state in amounts not less than the equivalent work commitment for that year.

The commissioner should adopt regulations to evaluate competing proposals. The evaluation process must be based only on the original written proposals submitted by the prospective licensees.

Conversion from license to lease should be under existing state leasing regulations AS 38.05.180 (l) - (u) and (x) - (z), and should be subject to the acreage chargeability qualifications of AS 38.05.140 (c).

We, at Unocal, look forward to working with the committee and the Division of Oil and Gas as the development and enhancement of this bill progresses.

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**ALASKA OIL AND GAS ASSOCIATION
POSITION
ON
LARGE BLOCK EXPLORATION LICENSING LEGISLATION
(HB 199/SB 150)**

The Alaska Oil and Gas Association (AOGA) is a trade association whose member companies account for the majority of oil and gas exploration, production, transportation and marketing activities in Alaska.

AOGA believes that large block licensing is an attractive addition to the State's leasing program to accelerate exploration and potential development of Alaska's frontier areas.

The Association has established the following position on large block exploration licensing legislation:

AOGA supports a large block licensing program that does not apply to lands (1) north of the Umiat baseline; (2) lands south of the Umiat baseline that are within proposed Competitive Oil and Gas Lease Sales 80, 87 and 88 prior to the initial sale; and (3) in the vicinity of Cook Inlet that are within the area bounded by the north boundary of Township 17 North S.M., the Seward Meridian, the south boundary of Township 7 South S.M., and the west boundary of Range 19 West S.M.

AOGA supports a program in which a license is conditioned upon the posting of an annual bond or other security in favor of the state and in which the annual bond or other security is calculated as the entire work commitment expressed in dollars less the cumulative expenditures as of the last day of the most recent project-year, divided by the remaining years of the exploration license.

Alaska Oil and Gas Association
Position on
Large Block Exploration
Licensing Legislation
(HB 199/SB 150)
Page 2

AOGA supports a competitive program in which all licenses are awarded on the basis of written, sealed bids for total dollar work commitment. The commissioner should adopt regulations to evaluate competing proposals.

AOGA supports a program in which conversion from license to lease is under existing state leasing statutes AS 38.05.180 (j)-(m), (o)-(u), and (x)-(z), and upon conversion, such a lease is subject to the acreage chargeability of AS 38.05.140(c).

AOGA supports a program in which any relinquishment of the License area does not occur before the fourth anniversary of the License and each year thereafter is a percentage relinquishment of the remaining License area not to exceed 50 percent of the original License area. As an incentive for early evaluation of a License area, AOGA believes no relinquishment should be required if the Licensee has expended 50 percent of the approved work commitment by the fourth anniversary of the License.

The Large Block Exploration Licensing legislation proposed by the Department of Natural Resources on October 25, 1993, is consistent with the AOGA position on exploration licensing legislation. AOGA supports the proposed Department of Natural Resources Draft (nominally numbered) CSSB 150 am dated October 25, 1993, (copy attached).

EXPLORATION LICENSING

Senate Bill No. 150

CSSB150 (Fin)

October 25 Draft

Geographical Restrictions	To state land with insufficient geological or geophysical information, or for unleased state land previously available for lease.	Land north of the Umiat Baseline; pending lease sales 57, 77, 80, 87 & 88, and portions of the Cook Inlet area are excluded.	Land north of the Umiat Baseline; pending lease sales 80, 87 & 88, and portions of the Cook Inlet area are excluded.
Relinquishment	No relinquishment provision.	Relinquish 25 % of the license area at end of 4th year, plus an additional 10 % of the original area each year thereafter.	If 50 % of the work commitment is completed by the end of the 4th year, no relinquishment is required. Otherwise, 25% of the original acreage must be surrendered with an additional 10% of the remaining acreage each year - to a maximum of 50% total relinquishment.
Bonding	Bonding for the total work commitment; forfeit difference between work commitment and completed work if there is a default.	Annual bond equal to 10 % of that years work commitment.	Calculated annually as the entire work commitment expressed in dollars, less cumulative expenditures, divided by the number of years remaining in the license.
Competitive Bidding	Oral outcry auction; awarded to the highest work commitment expressed in dollars.	Competitive sealed bids; award based upon highest dollar bid in terms of work commitment. Allowed expenditures are defined.	Competitive sealed bids; award based upon highest dollar bid in terms of work commitment. Allowed expenditures are defined.
Acreage Chargeability	License area not more than 500,000 acres; All or part converted to 30,000 acre lease tracts upon fulfillment of work commitment Not subject to acreage limitations at AS 38.05.140(c). \$3 acre annual rental.	License area not more than 500,000 acres; All or part converted to standard lease tracts upon fulfillment of work commitment Subject to acreage limitations at AS 38.05.140(c). \$3 acre annual rental.	License not less than 20,000 nor more than 500,000 acres. All or part may be converted to standard lease tracts upon fulfillment of work commitment. Subject to acreage limitations at AS 38.05.140(c). \$3 acre annual rental.

Application Fee	\$1 acre	Not more than \$1 acre.	Not more than \$1 acre as set by the commissioner.
Minimum Work Commitments	Must fulfill work commitment by the end of the license term.	Yearly work commitment, subject to review.	Must have completed at least 25 % of the work commitment by the end of the 4th year.
Title 46 Financial Responsibility	Not addressed.	Lowers financial responsibility for onshore exploration facilities from \$5-million to \$1-million.	Prefer to remove.
90-Day Provision	Not addressed.	Allows DNR to delay an oil & gas lease sale beyond 90-days of scheduled sale date.	Not addressed (but will address in separate legislation).
Lease Rental	\$3 Acre.	\$3 Acre.	\$3 Acre.

Disclaimer:

This document is for discussion purposes only; it is not intended to be a comprehensive description of the provisions of the bill.

**ABILL
FOR AN ACT ENTITLED**

"An Act relating to the exploration and production of oil and gas and related hydrocarbons, to oil and gas exploration licenses and to oil and gas leases in certain areas of the state and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

1 Section 1. AS 38 is amended by adding new sections to read:
2

3 ARTICLE 5A. OIL AND GAS EXPLORATION LICENSES; LEASES.
4

5 Sec. 38.05.131. APPLICABILITY; DETERMINATION;
6 REGULATIONS. (a) Unless specifically provided otherwise in AS
7 38.05.132 - 38.05.134, the provisions of AS 38.05.005 - 38.05.040,
8 38.05.180, 38.05.182 - 38.05.184, and 38.05.920 - 38.05.990 apply to the
9 issuance of oil and gas exploration licenses and leases under AS
10 38.05.132 - 38.05.134.
11

12 (b) The provisions of AS 38.05.131 - 38.05.134 do not apply to land
13

14 (1) north of the Urniat baseline; and
15

16 (2) in the vicinity of Cook Inlet that is within the area bounded
17 by
18

19 (A) the north boundary of Township 17 North, Seward
20 Meridian;
21

22 (B) the Seward Meridian;
23

24 (C) the south boundary of Township 7 South, Seward

1 Meridian; and
2

3 (D) the west boundary of Range 19 West, Seward
4 Meridian.
5

6 (c) The commissioner shall make preliminary written determinations
7 of the state land that may be subject to the provision of AS 38.05.132.
8 The determinations shall be given public notice using the methods
9 described in AS 38.05.945(b). After completion of the comment period
10 and evaluation of the comments received, the commissioner shall
11 issue a written determination of the state land that is subject to the
12 provisions of AS 38.05.132.
13

14 (d) The commissioner may adopt regulations necessary to implement
15 AS 38.05.131 - 38.05.134.
16
17

18 Sec. 38.05.132. OIL AND GAS EXPLORATION LICENSE. (a)
19 To encourage exploration for oil and gas on state land, the
20 commissioner may issue oil and gas exploration licenses.
21

22 (b) An oil and gas exploration license issued under this section
23 gives the licensee:
24

25 (1) the exclusive right to explore, for a term not to exceed
26 10 years, for deposits of oil and gas on unleased state land described
27 in the exploration license unless the land is earlier relinquished,
28 removed, or deleted under (d) of this section; and
29

30 (2) the option to convert the exploration license for all or
31 part of the state land, except the land that is deleted or removed
32 from the land described in the exploration license under (d) of this
33 section, into an oil and gas lease upon fulfillment of the work
34 commitments contained in the exploration license.
35

36 (c) An exploration license awarded under this section
37

38 (1) is not subject to the acreage limitations imposed by AS
39 38.05.140(c) or 38.05.180(m);
40

CS FOR SENATE BILL NO. 150(FIN) am

ABILL
FOR AN ACT ENTITLED

"An Act relating to the exploration and production of oil and gas and related hydrocarbons, to oil and gas exploration licenses and to oil and gas leases in certain areas of the state and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

1 Section 1. AS 38 is amended by adding new sections to read:

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3 ARTICLE 5A. OIL AND GAS EXPLORATION LICENSES; LEASES.

4
5 Sec. 38.05.131. APPLICABILITY; DETERMINATION;
6 REGULATIONS. (a) Unless specifically provided otherwise in AS
7 38.05.132 - 38.05.134, the provisions of AS 38.05.005 - 38.05.040,
8 38.05.180, 38.05.182 - 38.05.184, and 38.05.920 - 38.05.990 apply to the
9 issuance of oil and gas exploration licenses and leases under AS
10 38.05.132 - 38.05.134.

11
12 (b) The provisions of AS 38.05.131 - 38.05.134 do not apply to land

13
14 (1) north of the Umiat baseline; and

15
16 (2) in the vicinity of Cook Inlet that is within the area bounded
17 by

18
19 (A) the north boundary of Township 17 North, Seward
20 Meridian;

21
22 (B) the Seward Meridian;

23
24 (C) the south boundary of Township 7 South, Seward

1 Meridian; and

2
3 (D) the west boundary of Range 19 West, Seward
4 Meridian.

5
6 (c) The commissioner shall make preliminary written determinations
7 of the state land that may be subject to the provision of AS 38.05.132.
8 The determinations shall be given public notice using the methods
9 described in AS 38.05.945(b). After completion of the comment period
10 and evaluation of the comments received, the commissioner shall
11 issue a written determination of the state land that is subject to the
12 provisions of AS 38.05.132.

13
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15 AS 38.05.131 - 38.05.134.

16
17
18 Sec. 38.05.132. OIL AND GAS EXPLORATION LICENSE. (a)
19 To encourage exploration for oil and gas on state land, the
20 commissioner may issue oil and gas exploration licenses.

21
22 (b) An oil and gas exploration license issued under this section
23 gives the licensee:

24
25 (1) the exclusive right to explore, for a term not to exceed
26 10 years, for deposits of oil and gas on unleased state land described
27 in the exploration license unless the land is earlier relinquished,
28 removed, or deleted under (d) of this section; and

29
30 (2) the option to convert the exploration license for all or
31 part of the state land, except the land that is deleted or removed
32 from the land described in the exploration license under (d) of this
33 section, into an oil and gas lease upon fulfillment of the work
34 commitments contained in the exploration license.

35
36 (c) An exploration license awarded under this section

37
38 (1) is not subject to the acreage limitations imposed by AS
39 38.05.140(c) or 38.05.180(m);
40

1 (2) may cover an area of not less than 20,000 acres nor
2 contain more than 500,000 acres, that must be reasonably compact
3 and contiguous;
4

5 (3) must be conditioned upon an obligation to perform a
6 specified work commitment, in total for the term of the license,
7 expressed in dollars of direct exploration expenditures;
8

9 (4) must require that a minimum of 25-percent of the
10 specified work commitment must be completed on or before the
11 fourth anniversary of the effective date of the issuance of the
12 exploration license. Failure to meet this requirement shall result in
13 forfeiture of the license.
14

15 For the purpose conditioning a license as required by paragraph (3),
16

17 (A) "direct exploration expenditure" means cash
18 expenses undertaken in performance of a specified work
19 commitment under the provisions of AS 38.05.131 - 38.05.134
20 and necessarily incurred by the licensee in the permitting,
21 mobilization, conducting, demobilization, and evaluation of
22 geophysical and geological surveys, or the drilling, logging,
23 coring, testing, and evaluation of exploratory oil and gas
24 wells, the term:
25

26 (i) includes direct labor costs, including the cost of
27 benefits for employees directly associated with the work
28 commitment programs, the cost of renting or leasing
29 equipment from parties not affiliated with the licensee,
30 the reasonable costs of maintaining and operating
31 equipment, payments to consultants and independent
32 contractors not affiliated with the licensee, and costs of
33 materials and supplies;
34

35 (ii) does not include noncash expenses such as
36 depreciation and reserves, interest or other costs of
37 borrowed funds, return on investment, overhead
38 insurance or bond premiums, or any other expense that is
39 unreasonable or that the licensee has not incurred to
40 satisfy the licensee's work commitment;

1
2 (B) "work commitment" includes the drilling of one or
3 more exploration wells or the gathering of data as described in
4 4(A), or both;
5

6 (5) must be conditioned upon the posting of a bond or
7 other security acceptable to the commissioner in favor of the state
8 and subject to the following requirements:
9

10 (A) the bond or other security must be renewed annually;
11

12 (B) the annual bond or other security shall be calculated
13 as: the entire work commitment expressed in dollars, less the
14 cumulative expenditures as of the last day of the most recent project-
15 year, divided by the number of years remaining in the term of the
16 exploration license;
17

18 (6) is subject to an annual review and revocation if the
19 commissioner determines that the licensee has failed to provide or
20 maintain in effect the bond or other surety required by (5) of this
21 subsection;
22

23 (7) must be conditioned upon payment of a nonrefundable
24 oil and gas exploration license fee, the amount of which may be set
25 by the commissioner, provided, however, such fee may not be more
26 than \$1 per acre or fraction thereof for each acre of land that is
27 subject to the exploration license;
28

29 (8) must be conditioned upon an agreement that
30 exploration expenditures are subject to audit by the commissioner.
31

32 (d) The area within an exploration license awarded under this
33 section may be relinquished, removed, or deleted from the license.
34 Relinquishment, removal, or deletion of any area from the state land
35 described in the exploration license terminates the licensee's rights
36 under AS 38.05.131 - 38.05.134 in the area that is relinquished,
37 removed or deleted. A relinquishment, removal, or deletion of a
38 portion of the area described in the exploration license must be in
39 areas that are reasonably compact and contiguous. The areas
40 relinquished from the state land described in the exploration license

1 shall be areas identified by the licensee but, if the licensee fails to
2 identify sufficient area, the commissioner may identify any
3 additional acreage required to be removed or deleted from the area
4 then under license to meet the requirements of this subsection.
5 Unless, on or before the fourth anniversary of the effective date of
6 the issuance of the exploration license, 50-percent of the approved
7 work commitment, expressed in dollars of expenditure, has been
8 completed, then,
9

10 (1) 25 percent of the area must be relinquished, removed,
11 or deleted on the fourth anniversary of the effective date of the
12 issuance of the exploration license;
13

14 (2) an additional 10 percent of the remaining acreage
15 must be removed or deleted on each of the succeeding anniversaries
16 of the effective date of the issuance of the exploration license to a
17 maximum of 50% of the original license acreage.
18

19 (e) If, immediately before the beginning of the period for
20 annual review of the bond or other security under (c)(5) of this
21 section, the licensee fails to provide or maintain in effect the bond or
22 other security required by (c) of this section for the period covered by
23 the annual renewal and the commissioner revokes the exploration
24 license, the bond or other security then in effect for the licensee's
25 obligations under the exploration license is forfeited to the state.
26

27 Sec. 38.05.133. LICENSE PROCEDURES. (a) The procedures
28 in this section apply to the issuance of an oil and gas exploration
29 license under AS 38.05.132.
30

31 (b) The licensing process is initiated by the commissioner
32 preparing, or a prospective licensee submitting to the commissioner,
33 a proposal that identifies a specific area to be subject to the
34 exploration license, proposes specific minimum work commitments,
35 and states that the licensee has met the minimum qualifications for a
36 licensee as established by regulations adopted by the commissioner. A
37 prospective licensee may initiate a proposal only in response to a call
38 for proposals by the commissioner or during a period specified in
39 regulation adopted by the commissioner. The regulations must
40 provide for at least one period for that purpose during each calendar

1 year.

2
3 (c) If the commissioner initiates the licensing process under (b)
4 of this section, the commissioner shall publish notice of the
5 commissioner's proposal in order to solicit comments and competing
6 proposals.

7
8 (d) Within 30 days after receipt of a proposal from a
9 prospective licensee under (b) of this section, the commissioner shall
10 either reject it in a written decision or give public notice of the intent
11 to evaluate further the acceptability of the proposal. The
12 commissioner shall solicit comments on a proposal for which public
13 notice is given under this subsection, and shall request competing
14 proposals.

15
16 (e) The commissioner may make a written request to a
17 prospective licensee for additional information on the prospective
18 licensee's proposal. The commissioner shall keep confidential
19 information described in AS 38.05.035(a)(9) that is voluntarily
20 provided, and for which the applicant has made a written request
21 that such information remain confidential.

22
23 (f) After considering proposals not rejected under (d) of this
24 section and public comment on those proposals, the commissioner
25 shall issue a written finding addressing all matters set out in AS
26 38.05.035(e) and (g), except for AS 38.05.035(g)(1)(K). If the finding
27 concludes that the state's best interests would be served by issuing an
28 oil and gas exploration license, the finding must (1) describe the
29 limitations, stipulations, conditions, or changes from the initiating
30 proposal or competing proposals that are required to make the
31 issuance of the exploration license conform to the best interests of
32 the state, and (2) if only one proposal was submitted, identify the
33 prospective licensee whom the commissioner finds should be issued
34 the exploration license. The commissioner shall attach to the finding
35 a copy of the exploration license to be issued and the form of lease
36 that will be used for any portion of the exploration license area
37 subsequently converted to an oil and gas lease under AS 38.05.134.

38
39 (g) If only one prospective licensee submits a proposal and the
40 finding under (f) of this section concludes that an exploration license

1 should be issued to that prospective licensee, the prospective licensee
2 has 30 days after issuance of the finding within which to accept or
3 reject the issuance of the exploration license, as limited or
4 conditioned by the terms contained in the finding. The exploration
5 license to be issued and the form of lease that will be used must be
6 attached to that finding.
7

8 (h) If competing proposals are submitted, and the
9 commissioner's finding under (f) of this section concludes that an oil
10 and gas exploration license should be issued, the commissioner shall
11 issue a request for competitive sealed bids, under procedures
12 adopted by the commissioner by regulation, to determine which
13 prospective licensee should be issued the exploration license. The
14 finding provided to the prospective licensees under (f) of this section
15 must contain notice that (1) the commissioner intends to request
16 competitive sealed bids, (2) a prospective licensee who intends to
17 participate in the bidding must notify the commissioner in writing by
18 the date specified in the notice, and (3) a prospective licensee's notice
19 of intent to participate in the bidding constitutes acceptance of
20 issuance of the exploration license, as limited or conditioned by the
21 terms contained in the finding and by the exploration license to be
22 issued and the form of lease to be used if the prospective licensee is
23 the successful bidder. The successful bidder is the prospective
24 licensee who submits the highest bid in terms of the minimum work
25 commitment dollar amount.
26
27

28 Sec. 38.05.134. CONVERSION TO LEASE. If the licensee
29 requests and the commissioner determines that the work
30 commitment obligation set out in an oil and gas exploration license
31 issued under AS 38.05.132 has been met, the commissioner shall
32 convert to one or more oil and gas leases all or part, as the licensee
33 may indicate, of the area described in the exploration license that
34 remains after relinquishments, removals, or deletions required by AS
35 38.05.132(d). A lease issued under this section
36

37 (1) is subject to the acreage limitations imposed by AS
38 38.05.140(c);
39

40 (2) is subject to AS 38.05.180(j) - (m), (o) - (u), and (x) - (z);

1
2 (3) must be conditioned upon a royalty in amount or value
3 of not less than 12.5 percent of production;
4

5 (4) must include an annual rent of \$3 per acre or fraction
6 of an acre initially paid to the state at inception of the lease and
7 payable annually after that until the income to the state from royalty
8 under that lease exceeds the rental income to the state under that
9 lease for that year; and
10

11 (5) is subject to other conditions and obligations that are
12 specified in the lease.
13
14

15 * Sec. 1. AS 38.05.135(a) is amended to read:
16

17 (a) Except as otherwise provided, valuable mineral deposits in
18 land belonging to the state shall be open to exploration,
19 development, and the extraction of minerals. All land together with
20 tide, submerged, or shoreland, to which the state holds title to or to
21 which the state may become entitled, may be obtained by permit or
22 lease for the purpose of exploration, development, and the
23 extraction of minerals. Except as specifically limited by AS 38.05.131
24 - 38.05.181 land may be withheld from lease application on a first-
25 come, first-served basis, and offered only on a competitive basis
26 when determined by the commissioner to be in the best interests of
27 the state. In unproved areas, the commissioner may offer additional
28 incentives, including a reduction of royalty to a minimum of five
29 percent in the case of oil and gas, and other terms in and granting a
30 permit or lease for exploration and development whenever it
31 appears to be in the best interests of the state to do so.
32
33
34
35

36 * Sec. 2 AS 38.05.180(d) is amended to read:
37

38 The commissioner may issue oil and gas leases in an area that
39 has not been included in a leasing program submitted, in accordance
40 with (b) of this section, to the legislature if the land to be leased:

1
2 (1) was previously subject to a valid state or federal oil
3 and gas lease;
4

5 (2) is contiguous to land already under state, federal or
6 private lease and the commissioner makes a written finding, after
7 hearing, that leasing of the land would result in a substantial
8 probability of early evaluation and development of the land to be
9 leased;
10

11 (3) is adjacent to land owned or controlled by another
12 party on which a discovery of commercial quantities of oil or gas has
13 been made, and the commissioner finds, after hearing, that there is a
14 reasonable probability that the land to be leased contains oil or gas in
15 communication with oil or gas discovered on the land of the other
16 party;
17

18 (4) is adjacent to land included in the federal five-year
19 Outer Continental Shelf leasing program under 43 U.S.C. 1344, and
20 the commissioner makes a written finding, after hearing, that
21 coordinated or simultaneous leasing with the federal government is
22 in the public interest; or
23

24 (5) is the subject of an oil and gas exploration license
25 under AS 38.05.131 - 38.05.134.
26
27

28 * Sec. 3. AS 38.05.180(f) is amended to read:
29

30 (f) Except as provided by AS 38.05.131 - 38.05.134 the
31 commissioner may issue oil and gas leases on state land to the
32 highest responsible qualified bidder determined by competitive
33 bidding under regulations adopted by the commissioner. Bidding
34 may be by sealed bid or according to any other bidding procedure the
35 commissioner determines is in the best interests of the state.
36 Whenever, under any of the leasing methods listed in this subsection,
37 a royalty share is reserved to the state, it shall be delivered in
38 pipeline quality and free of all lease or unit expenses, including but
39 not limited to separation, cleaning, dehydration, gathering, salt
40 water disposal, and preparation for transportation off the lease or

1 unit area. Following a pre-sale analysis, the commissioner may
2 choose one of the following leasing methods:

3
4 (1) a cash bonus bid with a fixed royalty share reserved to
5 the state of not less than 12.5 [12 1/2] percent in amount or value of
6 the production removed or sold from the lease;

7
8 (2) a cash bonus bid with a fixed royalty share reserved to
9 the state of not less than 12.5 [12 1/2] percent in amount or value of
10 the production removed or sold from the lease and a fixed share of
11 the net profit derived from the lease of not less than 30 percent
12 reserved to the state;

13
14 (3) a fixed cash bonus with a royalty share reserved to the
15 state as the bid variable but no less than 12.5 [12 1/2] percent in
16 amount or value of the production removed or sold from the lease;

17
18 (4) a fixed cash bonus with a share of the net profit
19 derived from the lease reserved to the state as the bid variable;

20
21
22 (5) a fixed cash bonus with a fixed royalty share reserved
23 to the state on not less than 12.5 [12 1/2] percent in amount or value
24 of the production removed or sold from the lease with the share of
25 the net profit derived from the lease reserved to the state as a bid
26 variable;

27
28 (6) a cash bonus bid with a fixed royalty share reserved to
29 the state based on a sliding scale according to the volume of
30 production or other factor but in no event less than 12.5 [12 1/2]
31 percent in amount or value of the production removed or sold from
32 the lease;

33
34 (7) a fixed cash bonus with a royalty share reserved to the
35 state based on a sliding scale according to the volume of production
36 or other factor as the bid variable but not less than 12.5 [12 1/2]
37 percent in amount or value of the production removed or sold from
38 the lease.

39
40 * Sec. 4. AS 38.05.945(a) is amended to read:

1
2 (a) This section establishes the requirements for notice given by
3 the department for the following actions:
4

5 (1) classification or reclassification of state land under AS
6 38.05.300 and the closing of land to mineral leasing or entry under AS
7 38.05.185;
8

9 (2) zoning of land under applicable law;
10

11 (3) a decision under AS 38.05.035(e) or 38.05.132
12 -38.05.134 regarding the sale, lease or disposal of an interest in state
13 land or resources;
14

15 (4) a competitive disposal of an interest in state land or
16 resources after final decision under AS 38.05.035(e);
17

18 (5) a public hearing under AS 38.05.856(b);
19

20 (6) a preliminary finding under AS 38.05.035(e) and
21 38.05.855(c) concerning sites for aquatic farms and related
22 hatcheries.
23
24
25

26 *Sec. 5. ADDITIONAL EXCLUDED AREA. In addition to the area
27 designated in AS 38.05.131(b), added by sec.1 of this Act, the provisions of
28 AS 38.05.131 - 38.05.134, added by sec.1 of this Act do not apply to land
29 within proposed Competitive Oil and Gas Lease Sales 80, 87, and 88, as
30 the area to be offered in each of those proposed competitive oil and gas
31 lease sales was delineated in the Five-Year Oil and Gas Leasing Program
32 prepared by the Department of Natural Resources and dated January
33 1993. However, the exclusion of the land is any one of those lease sales
34 that is required by this section ceases on the date the land described in the
35 lease sale is first offered for competitive oil and gas leasing under AS
36 38.05.180, and that the land is thereafter subject to the provisions of AS
37 38.05.131 -38.05.134, added by sec. 1 of this Act.
38
39

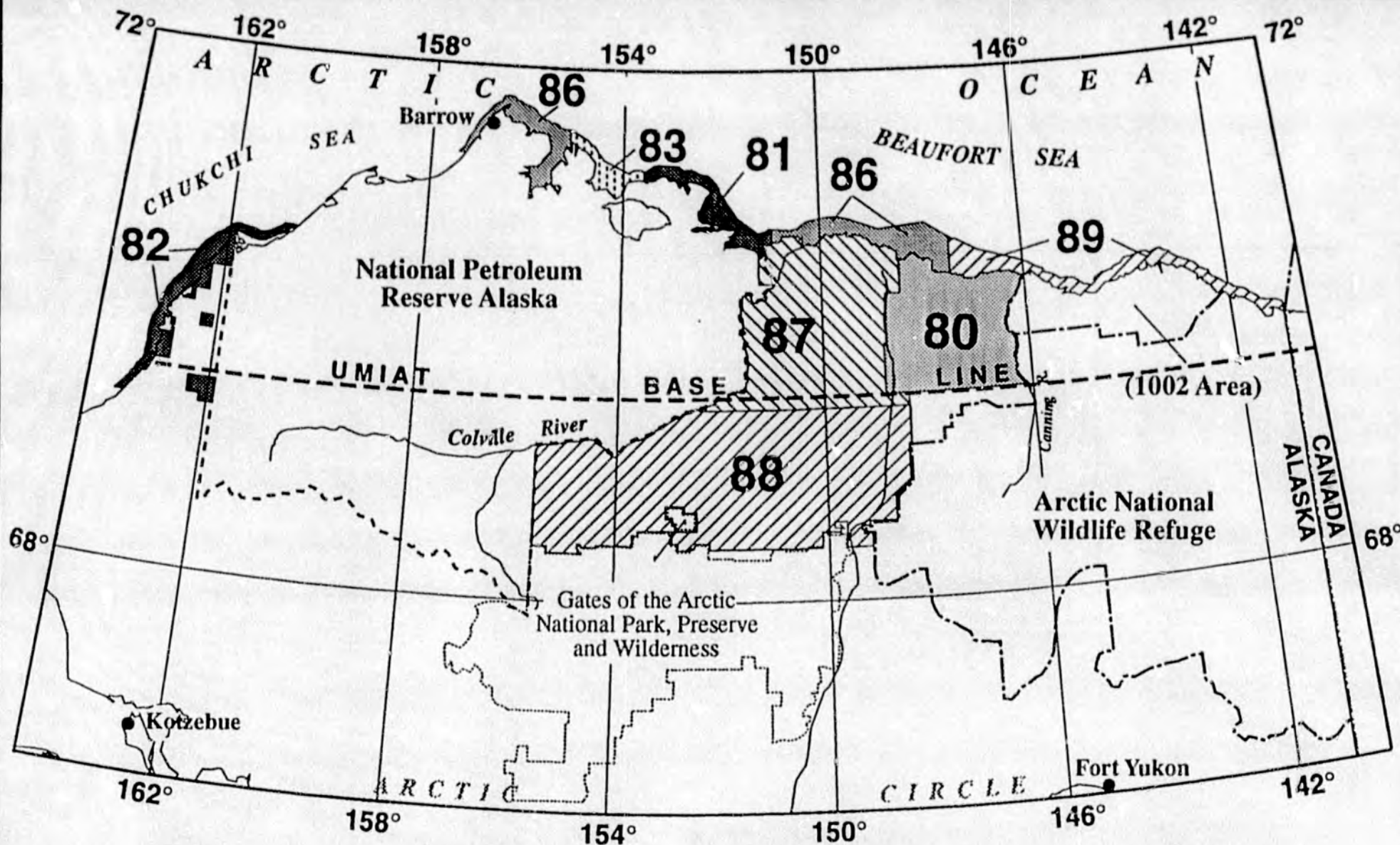
40 * Sec. 6. REGULATIONS. The commissioner of natural resources may

1 proceed to adopt regulations necessary to implement AS 38.05.131
2 -38.05.134, added by sec.1 of this Act. The regulations take effect under AS
3 44.62 (Administrative Procedure Act), but not before the effective date of
4 secs. 1 - 9 of this Act.

5
6 * Sec. 7. AS 38.05.020(b)(5) is amended to read:

7
8 (5) notwithstanding the provisions of any other section of this
9 chapter, grant an extension of the time within which payments due on any
10 license or lease or sale of state land, minerals, or materials may be made,
11 including payment of rental and royalties, on a finding that compliance
12 with the requirements is or was prevented by reason or war, riots, or acts
13 of God;

14
15
16
17 * Sec. 8. Section 6 of this Act takes effect immediately under AS
18 01.10.070(c).



North Slope Areas Proposed For Leasing

Sale	Date
80	11-94



Sale	Date
81	4-95
82	7-95
83	11-95



86	11-96
----	-------



Sale	Date
87	4-97
88	7-97
89	11-97



Scale 1: 5,000,000 Approx.

0 100 200 Miles

11/93

SCOMM

94:10

State of Alaska, Department of Natural Resources
DIVISION OF OIL AND GAS - DIRECTOR'S OFFICE
3601 C Street, Suite 1380, Anchorage, Alaska 99503

FAX 907/562-3852
PHONE 907/762-2549

FAX TRANSMITTAL

DATE & TIME:

2/1

TO:

Annette KREITZER

FAX NUMBER:

465-3810

FROM:

Ken Boyd

NUMBER OF PAGES, INCLUDING COVER:

3

COMMENTS:

MORE TRUTH, JUSTICE, THE AMERICAN WAY.

OPINION

CLIFF BURGLIN... At Large



by Cliff Burglin
Special to The Star

To quote Tim Bradner, columnist for the Alaska Journal of Commerce, January 24, 1994: "While the exploration licensing has not been done by the State of Alaska, it is commonly done here by Alaska Native Corporations on privately owned lands."

Alaskans need a recap of portions of the Native Land Claims Settlement Act.

The Settlement Act was substantially backed by major oil companies so that the Native Corporations, with the help of Big Oil, could select the most promising oil and gas and mineral lands.

Then the multinational oil companies would enter into exploration licensing deals with the Native Corporations on the cream of Alaska's potential oil bearing basins. This unholy alliance has been in effect for over 20 years. Millions of acres of Alaska Native's highest unproven oil resources have been laying fallow for over 20 years with little exploration and no production.

To the best of my knowledge, only native leaders have ever seen these top secret agreements with the major oil companies. These exclusive tracts have been tied up by the likes of Arco, Exxon, Texaco, Unocal, Amoco, Chevron and others for over 20 years. Remember, 44 million acres were selected by the Native Corporations with the best technical assistance of the major oil companies. So far, there have been no commercial discoveries on any of these licensed native areas.

The individual Natives in Doyon, Ahma, North Slope and Cook Inlet should demand to have these agreements made public.

When HB 199 and SB 150 are put to a vote, Alaskans should note the politicians who have voted to sell them out to Big Oil. Certainly, none of them are fit to be future governors. Or governesses. If the native licensing agreements are so clear why are they kept secret from the Native rank and file?

Why is so much in government kept secret? Like the settlements between the State and the oil companies? Probably because the oil companies have duped Alaskans out of billions of dollars. Alaskans, this is our money and our children's money that we are overpaying our state bureaucrats in the Department of Revenue, and the Division of Oil and Gas to give away. And now they want to give the rest of Alaska's valuable surface and mineral rights to those admittedly non-law abiding companies.



NAPA Celebrates Its New Building

City and chamber of commerce officials welcomed the new downtown building on Saturday with a ribbon-tying ceremony and congratulatory speeches. The 4,000 square foot building is the new family of New Town Chevron for long term lease to executives Mel Money and Gene Martin flew down from Anchorage to participate in the ceremony.

Blue Fuel Opposed by Diesel

by The Associated Press

JUNEAU—Alaska diesel distributors want an exemption from a rule that requires some diesel fuel to be dyed blue to distinguish it from fuel that needs to be taxed.

Jeff Hansen, manager of Taku Oil Sales, said more than 95 percent of the diesel fuel sold in Alaska is exempt from a new federal tax.

"It really only makes sense to exempt Alaska. There just isn't enough volume of taxable diesel."

The 1993 Revenue Reconciliation Act increased the diesel tax for some users from 20.1 cents a gallon to 24.4 cents.

The extra money is earmarked to help cover the federal budget deficit.

Commercial fishermen are exempt, but recreational boaters with diesel engines must pay the tax. Drivers of cars and trucks that use the fuel also must pay the tax.

Earl Kloster, manager of Delta Western-Chevron in Juneau, said marinas and

MORE LETTERS...

Continued from Page 4

bor cost countries, all at the expense of the American fishing industry.

The people in the industry being ruined have a much different attitude regarding

of acres of Alaska Natives highest unproven oil resources have been laying fallow for over 20 years with little exploration and no production.

To the best of my knowledge, only native leaders have ever seen these top secret agreements with the major oil companies. These exclusive tracts have been tied up by the likes of Arco, Exxon, Texaco, Unocal, Amoco, Chevron and others for over 20 years. Remember, 44 million acres were selected by the Native Corporations with the best technical assistance of the major oil companies. So far, there have been no commercial discoveries on any of these licensed native areas.

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As has been pointed out in past articles, Alaska has enough oil discovered to be able to produce at least an additional 2 million barrels per day. So why is the U.S. importing more and more foreign oil? And why do our legislators keep letting state employees and the big-oil companies deceive them?

A strong case could be made against that employees of the DNR, Division of Oil and Gas, who, for over 35 years have failed the people of Alaska but not utilizing the land and resources to maximize the income from resource revenue. This could have been done in an environmentally sound way.

If, for the past 35 years, just \$20 million additional dollars per year had been collected in lease rentals and bonus bids, Alaska would have no financial problems.

This income would stimulate meaningful employment for all Alaskans who want to work.

Spill Drill Tests Readiness

Continued from page 1

hatchery. New Chenega also activated a shoreline cleanup crew as part of their readiness test.

The new oil spill response requirements were adopted in the wake of the Exxon Valdez oil spill of 1989.



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MORE LETTERS...

Continued from Page 4

bor cost countries, all at the expense of the American fishing industry.

So the traditional fishermen and processing plant is being savaged by low cost competition, in spite of growing population and world hunger, and wonder what it is all about.

The importer and consumer's attitude is the lower the better.

The people in the industry being ruined have a much different attitude, ranging from protectionism or somehow innovating to meet that competition.

Meanwhile the "Wise" politicians of Alaska remain strangely silent.

Philip Matthew
Agoura Hills, Calif.

The Valdez Medical Clinic
Would like to welcome
Family Physician Dr. John Watson
from Boise Idaho starting
January 19th through March 17, 1994.
Please call 835-4811 for an
appointment.